PROPERTY TAX APPEAL BOARD'S DECISION

APPELLANT: The Pepper Companies, Inc.
DOCKET NOS.: 03-27378.001-C-3 through 03-27378.004-C-3,
04-25648.001-C-3 through 04-25648.004-C-3, and
05-25435.001-C-3 through 05-25435.004-C-3,
PARCEL NOS.: See below.
TOWNSHIP: North Chicago

The parties of record before the Property Tax Appeal Board are The Pepper Companies, Inc., the appellant, by attorney Liat R. Meisler of Golan & Christie LLP, Chicago; the Cook County Board of Review by Assistant State's Attorneys Benjamin Bilton and Jessie MacLean; the City of Chicago, intervenor, by attorney Richard Danaher; and the Chicago Board of Education, intervenor, by attorney Ares Dalianis of Franczek Radelet, Chicago.

The subject property consists of approximately a 15,587 square foot parcel improved with an eight-story single tenant office building containing 50,136 square feet of building area built in 1984. The subject also contains a 14,174 square foot below-grade parking area for 38 vehicles. The improvement's exterior is face brick with glass panels. Interior finish consists of carpet, painted or papered drywall, glass block, ceramic tile, and suspended acoustical tile ceilings. In addition to some exterior landscaping and concrete sidewalks, the subject site has surface parking for 37 vehicles. The subject's site is a corner lot north of Chicago's central business district in North Chicago Township, Cook County.

(Continued on Next Page)

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

DOCKET NO.	PARCEL NO.	LAND	IMPR.	TOTAL
03-27378.001-C-3	17-09-222-001-0000	$ 38,019	$ 45,800	$ 83,819
03-27378.002-C-3	17-09-222-002-0000	$ 36,498	$ 45,578	$ 82,076
03-27378.003-C-3	17-09-222-003-0000	$ 72,996	$ 88,959	$ 161,955
03-27378.004-C-3	17-09-222-004-0000	$242,774	$1,601,266	$1,844,040

DOCKET NO.	PARCEL NO.	LAND	IMPR.	TOTAL
04-25648.001-C-3	17-09-222-001-0000	$ 38,019	$ 45,800	$ 83,819
04-25648.002-C-3	17-09-222-002-0000	$ 36,498	$ 45,578	$ 82,076
04-25648.003-C-3	17-09-222-003-0000	$ 72,996	$ 88,959	$ 161,955
04-25648.004-C-3	17-09-222-004-0000	$242,774	$1,601,266	$1,844,040

DOCKET NO.	PARCEL NO.	LAND	IMPR.	TOTAL
05.25435.001-C-3	17-09-222-001-0000	$ 38,019	$ 45,800	$ 83,819
05.25435.002-C-3	17-09-222-002-0000	$ 36,498	$ 45,578	$ 82,076
05.25435.003-C-3	17-09-222-003-0000	$ 72,996	$ 88,959	$ 161,955
05.25435.004-C-3	17-09-222-004-0000	$242,774	$1,601,266	$1,844,040

Subject only to the State multiplier as applicable.

PTAB/lbs/09

As a preliminary matter the intervenors submitted a Motion In Limine to bar the appellant from presenting any testimony, objection, motion, appraisal critique or other evidentiary material offered to refute, discredit or disprove intervenors' evidence regarding description, physical characteristics or condition of the subject property pursuant to 86 Ill.Adm.Code §1910.94. The intervenors argued that on August 16, 2006, the intervenor, City of Chicago, made a request in writing to counsel for the appellant for a physical inspection and examination of the subject property. A copy of the exhibit was attached to the motion, which was a facsimile request from Brian F. Aronson, MAI, of Aronson & Associates, Chicago. First, the Property Tax Appeal Board finds that an examination of the copies of the facsimile request submitted by the intervenor revealed that the source of the request to the appellant's counsel was not the intervenor's counsel but a potential witness. Secondly, the Board finds that the effective date of said Section 1919.94 was May 16, 2006. The Board finds that the three appeals before the Property Tax Appeal Board were all filed prior to the effective date of this rule. Therefore, the Property Tax Appeal Board denies the intervenor's motion.

The appellant, through 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. In support of this argument, the appellant submitted a complete summary appraisal report with an effective date of January 1, 2003 (Appellant's Exhibit 1) along with the testimony of the appraisal's author, Neil J. Renzi. Renzi testified he is a State of Illinois certified appraiser and has held the designation of Member of the Appraisal Institute (MAI) for more than 30 years.

Renzi described the subject property and environs. The witness testified he made a personal inspection of the property on October 31, 2003. Renzi testified the subject was appraised as fee simple for *ad valorem* tax purposes; its highest and best use as vacant would be for residential or commercial development; and its highest and best use as improved is its current use as a single tenant office building.

To estimate a total market value for the subject of $4,500,000 as of January 1, 2003, Renzi employed two approaches to value; the income capitalization approach and the sales comparison approach to value. The witness testified he did not develop a cost approach to value as buyers in the market place do not purchase properties such as the subject on the basis of a cost approach. He testified the difficulty determining depreciation and obsolescence undermines the credibility of the cost approach for a building of the subject's age and type.

The appellant's appraiser testified he estimated a value for the subject's land utilizing the sales of five parcels located in the subject's general area which sold from September 1999 to February 2002. The parcels range in size from 8,510 to 27,963 square feet of land area and sold for prices ranging from $98.01 to $205.32 per square foot of land area. The appraiser adjusted the comparables for floor area ratio (FAR), location, size, sale date, physical characteristics, zoning, and other differing factors. After an analysis of the comparable land sales when compared to the subject, the appraiser estimated unit value for the subject of $135.00 per square foot of land area or $2,100,000, rounded.

Renzi testified he selected five sales located in close proximity to the subject to analyze in the sales comparison approach to value. The witness testified that the comparables used were renovated office type structures and he confirmed each of the sales through CoStar Comp Service, public records and personal contact with a party to the transaction. The comparables are masonry constructed multi-tenant office buildings ranging from three to eight stories in height that were built from 1930 to 1988. The comparables range in size from 29,100 to 68,432 square feet of building area and in parcel size from 5,472 to 10,770 square feet of land area. None of the comparables have on-site parking area. These properties sold from January 2000 to February 2003 for prices ranging from $77.27 to $120.27 per square foot of building area, including land. The appraiser adjusted the sales comparables for size, age, location, sale date, location, condition, story height, tenant configuration, and other pertinent items. The witness testified that he did not specifically value the subject's parking component because the parking component cannot be separated from the building. Renzi testified that his final opinion of value through the sales comparison approach was a unit value of $90.00 per square foot of building area, or $4,500,000, rounded.

Renzi next employed the income capitalization approach to value. To arrive at an indication of the subject's market rent, the witness testified a market study within the subject's area was conducted from which five rent comparables were identified. The comparables are from four to seven story masonry constructed multi-tenant office buildings built from 1900 to 1940, which were renovated from 1983 to 2003 and located in close proximity to the subject. Leased areas analyzed ranged in size from 3,000 to 30,000 square feet. Three of comparables had lease dates commencing from January 2001 to July 2003 with gross rents ranging from $6.50 to $12.50 per square foot. The remaining two comparables were market offerings as of January 2003 with gross asking rents of $11.54 and $13.00 per square foot. The witness testified that he adjusted the comparables to net rents. The appraiser then adjusted the comparables for condition, size, location, lease date, as well as other applicable items. After consideration, the appraiser estimated the subject's market rent at $9.00 per square foot of building area resulting in a potential gross income (PGI) of $451,224. Based on a review of the subject's market area, the lease terms of the comparables, discussions with brokers, and data from *Blacks Office Guide/Summer 2003*, Renzi estimated a vacancy and collection loss (V&C) of 16%, or $72,196. Renzi's appraisal indicated this was below *Blacks* reported 23.32% vacancy rate for the near north side of Chicago. Deducting the V&C from the PGI resulted in an effective gross income (EGI) of $379,028 for the subject. Expenses consisting of management, legal, accounting and reserves for replacement totaling $84,891 were deducted from the EGI along with $12,534 for utilities during vacancy. This calculation resulted in a net operating income (NOI) of $347,603 applicable to the subject. The band of investment technique was utilized to estimate an overall capitalization rate (OAR) of 8.86%. An effective tax rate of 6.83% was calculated, which the appraiser modified by applying the estimated V&C percentage of 16%, resulting in a partial effective tax rate of 1.09%. The partial effective tax rate was added to the OAR resulting in a total capitalization rate of 9.95%. Application of the total capitalization rate to the estimated NOI resulted in an estimated value of $3,493,497 for the subject's improvement through the income capitalization approach.

As the subject has a parking component that could generate income, the witness described how he applied the income approach to this component of the subject's improvement. Four self-park facilities located in close proximity to the subject were surveyed. These facilities had monthly parking rates ranging from $165.00 to $225.00 per parking space. From this information, Renzi estimated the subject's monthly parking rate would be $175.00 per space resulting in a PGI of $157,500 based on 75 parking stalls. An analysis of the expenses of similar parking facilities led the appraiser to estimate 3% of the PGI or $4,725 as the management expense; $2,680 as insurance expense; $4,020 as utilities expense; and $2,680 as reserves for replacement expense. Deduction of the expenses from the PGI resulted in a NOI of $138,670. Again, the appraiser utilized the band of investment technique to estimate an overall capitalization rate (OAR) of 8.86%. The effective tax rate of 6.83% was then applied resulting in a total capitalization rate of 15.69%. Application of the capitalization rate to the estimated NOI resulted in an estimated value through the income capitalization approach for the subject's parking area of $888,811 through the income approach. Combining the estimated value of the building and the estimated value of the parking area resulted in an estimated total value for the subject of $4,400,000 through the income approach.

The appellant's total estimated value for the subject through the income capitalization approach to value was $4,400,000, rounded.

In his reconciliation of the two approaches to value, the sales comparison approach was accorded the primary weight and, in the appraiser's opinion, well supported by the income capitalization to value. Renzi's final opinion of value for the subject was $4,500,000 as of January 1, 2003.

Renzi testified that his estimate of value for 2004 and 2005 would probably be slightly higher.

During cross-examination, Renzi testified that he believed that the subject's interior was over-improved with higher end finishes that are owner specific. Intervenor's counsel questioned the witness regarding the land comparables and their potential as office building sites. The witness replied that they could have been developed with office buildings. Intervenor's counsel then questioned Renzi regarding each of the sales employed in the sales comparison approach and the adjustments made to each sale. The witness testified under cross-examination that the data for each sale comparable was prepared through a joint effort with an associate. The witness further explained that the comparables are all leased-fee sales because the data search for sales did not discover any single occupant building sales.

Renzi was also asked to clarify his use of the terms "survey date" and "lease date" in his income approach to value. He explained that "survey date" was the date the information was uncovered and "lease date" represented the lease commencement date. He agreed that the category names may have been misleading.

The intervenors, the Chicago Board of Education and the City of Chicago, through counsel appeared before the Property Tax Appeal Board requesting an increase of the subject's 2003, 2004 and 2005 assessments. The City of Chicago is not an intervenor in the 2005 appeal.

In support of the undervaluation argument, the intervenors submitted the following:

A. Intervenor Exhibit #1 - A summary appraisal report authored by Brian F. Aronson of Aronson and Associates, Chicago as of January 1, 2003;
B. Intervenor Exhibit #2 - A summary appraisal report authored by Brian F. Aronson of Aronson and Associates, Chicago as of January 1, 2004;
C. Intervenor Exhibit #3 - A limited self-contained appraisal report authored by Cheryl A. Inghram of The Inghram Company, Chicago as of January 1, 2003;

D. Intervenor Exhibit #4 – An enlargement of Page 49 of the 2004 Aronson appraisal;
E. Intervenor Exhibit #5 - An enlargement of Page 60 of the 2004 Aronson appraisal;
F. Intervenor Exhibit #6 - An enlargement of Page 98 of the 2004 Aronson appraisal;

In support of its submissions the intervenors called Brian K. Aronson as a witness. Aronson testified that he is a State of Illinois certified appraiser and has a MAI designation. Aronson's description of the subject property was similar to that of the appellant's witness. In addition, Aronson's indicated that some of the data utilized in his reports was garnered from the appellant's appraisal. The appraisal revealed that the subject was appraised as a fee simple estate. The appraiser testified that he inspected the subject on June 26, 2003, October 17, 2003. July 22, 2006, September 2, 2006, and October 27, 2008. The witness briefly described the subject property and its surroundings which correlated with the previous witness' description. He then testified he classified the subject as a Class B property, explaining his classification was determined by the subject's age, construction quality, design, amenities as well as interviews with brokers active in the market.

With regard to the 2004 report, the descriptive data is essentially the same as in the January 1, 2003 appraisal.

As the subject's highest and best use as vacant, Aronson suggested development of mixed use commercial/residential development; and as improved its current use as a single tenant office building.

Aronson employed the three classic approaches to value to estimate a market value of $7,075,000 for the subject as of January 1, 2003 and a value of $7,210,000 for the subject as of January 1, 2004.

In the 2003 report Aronson testified that when estimating a value for the subject land, seven land sales located within the subject's general area were examined. The parcels ranged in size from 4,442 to 32,240 square feet of land area; were sold from October 2000 to December 2003 for prices ranging from $1,300,000 to $7,800,000 or from $192.39 to $292.66 per square foot of land area. The sale price for sale number one includes the appraiser's estimate of $30,000 for demolition of improvements existing at the time of sale. The appraiser adjusted the sale comparables for location, zoning, size, sale date, conditions of sale and other items to estimate a parcel value for the subject of $265.00 per square foot of land area or $4,100,000, rounded, as of January 1, 2003.

When estimating a land value for the subject for the 2004 report, Aronson testified he added two sales to the seven in the 2003 appraisal. These two sales were located in the same general area as the subject. The sales occurred in July 2004 and December 2003. The comparables contain 20,928 and 9,768 square feet of land area and were sold for prices of $5,400,000 or $258.03 per square foot of land area and $3,700,000 or $378.79 per square foot of land area, respectively. In addition the appraiser revealed that these sale prices include his estimates of demolition costs of existing improvements of $135,000 and $20,000, respectively. Adjustments to the comparables were similar to the prior year's adjustments. The addition of these two sales increased the appraiser's estimate of value for the subject's land by $75,000 to $4,175,000 as of January 1, 2004.

An estimated cost new for the subject improvement was ascertained using the *Marshall Valuation Service.* An unadjusted base unit cost for the 50,136 square foot office building was $123.29 per square foot, which was adjusted to reflect enhancements such as the subject's elevators, heating and air-conditioning, sprinklers, story heights, building height, time, location and soft costs. After factoring in the enhancements, the overall unit cost for the subject's above grade building was $158.40 per square foot of building area or $7,941,542. Next, Aronson estimated a price per square foot for the subject's below grade parking area. Utilizing an unadjusted base cost of $37.04 per square foot, the base cost was adjusted for factors similar to the above ground adjustments to estimate $57.10 per square foot of parking area or $809,335. Combining the estimated costs of the two elements resulted in a total estimated building cost new of $8,750,877.

Next, Aronson estimated physical deterioration of 25%; functional obsolescence of 20%; and external obsolescence of 10%; or total depreciation of 55%. The total depreciation of $4,812,982 was deducted from the estimated building cost new. A contributory value of depreciated site improvements of $50,000 was then added to the estimated depreciated building cost new of $3,937,895. The appraiser's estimated land value was then added to conclude an estimated value through the cost approach for the subject of $8,090,000, rounded, as of January 1, 2003.

For the 2004 appraisal and utilizing the same techniques as the prior year when, Aronson testified he increased the overall unit cost for the subject building to $191.57 per square foot of building area or $9,604,396. Aronson estimated physical deterioration of 27%; functional obsolescence of 20%; and external obsolescence of 12%; or total depreciation increased from 55% to 59%. The total depreciation of $5,666,594 was deducted from the estimated building cost new. A contributory value of depreciated site improvements of $50,000 was added to the estimated depreciated building cost new. The appraiser's estimated 2004 land value was then added to conclude an estimated value through the cost approach of $8,160,000, rounded, as of January 1, 2004, an increase of $70,000 over Aronson's 2003 appraisal.

When preparing the 2003 income approach to value, Aronson examined four rent comparables located near the subject. The office buildings range in size from 58,000 to 622,487 square feet. The leased units within the comparables vary in size. According to the appraiser's research the actual base rents in the comparables range from $17.50 to $22.99 per square foot, which are average rents. Three of the comparables are rented on a semi-gross basis while the fourth is rented on a net basis. After adjusting the semi-gross rents to net rents the estimated net unit rent rates ranged from $9.22 to $17.50 per square foot. Two of the comparables have on-site parking with separate rents charged for the spaces. The appraiser adjusted the rent comparables for items such as size, quality, location and other factors considered significant. Based on the forgoing information, Aronson estimated a rent rate of $12.50 per square foot of building area resulting in a PGI of $626,700. A *CoStar Property* (4th Quarter 2002) survey indicated vacancy rates within the subject's neighborhood for Class B buildings were 17.2% for marketed spaces and 20.6% for total space including space available for sub-lease. *CoStar Property* also reported an average asking rent of $26.50 per square foot gross in the subject's area for Class B buildings. Considering the subject's single tenant design, the appraiser estimated the subject's V&C at 12% or $75,204. The estimated V&C was deducted from the PGI resulting in an EGI of $551,496. Management expense of $22,561, reserves for replacement expense of $16,545, and vacant space holding costs of $76,403 were deducted from the EGI. The appraiser indicated vacant space holding costs consisted of costs associated with 12% of the gross above ground building area or 6,016 square feet of building area. These are costs such as cleaning, insurance, repairs and maintenance, roads and grounds, utilities, and real estate taxes attributable to the projected vacant area. These calculations resulted in a NOI of $436,488 for the subject's above ground area.

Aronson developed a capitalization rate of 8.50% through the consideration of an investor survey and the band of investment technique, which was applied to the NOI resulting in an indicated value for the subject's above ground building area of $5,135,000, rounded.

The parking component of the subject was handled separately by Aronson. Based on local outdoor and indoor monthly parking rates, the appraiser suggested $205 per space for the 37 outdoor spaces and $250 per space for the 38 indoor spaces resulting in an estimated PGI of $205,020. An estimated 3% for V&C was deducted from the PGI resulting in an EGI of $198,869. Expenses, excluding real estate taxes, totaling $49,986 were deducted to ascertain a NOI of $148,883. An overall capitalization rate of 8.0% was estimated to which an effective tax rate of 6.01% was added resulting in an overall capitalization rate of 14.01%. The overall capitalization was applied to the NOI which produced an estimated value for the subject's parking area of $1,060,000, rounded.

Combining the estimated values from his income approach for the subject's two components resulted in Aronson's estimated value for the subject of $6,195,000, through the income capitalization approach to value as of January 1, 2003.

In the 2004 income approach to value, Aronson used an additional rent comparable. The office building contains 42,000 square feet of building area with a 20-car parking area. The leased area within the comparable is rented on a net basis at $10.00 per square foot. Including this comparable with those analyzed for the prior year, the appraiser adjusted the rent comparables for items such as size, quality, location and other factors considered significant. Based on the forgoing information, Aronson estimated a rent rate of $12.50 per square foot of building area resulting in a PGI of $626,700, which is the same as the prior year. A *CoStar Property* (4th Quarter 2003) survey indicated vacancy rates for Class B buildings within the subject's neighborhood were 18.2% for marketed spaces slightly higher than the 4th quarter of the prior year and 20.4% for total space including space available for sub-lease, 2002. *CoStar Property* also reported a lower average asking rent than the prior year to $24.37 per square foot gross for Class B buildings in the subject's area. Considering the subject's single tenant design the appraiser estimated the subject's V&C at 15% or $94,005, an increase of $18,000 from the 2003 appraisal. The estimated V&C was deducted from the PGI resulting in an EGI of $532,695. Management expense of $21,308, reserves for replacement expense of $15,981, and vacant space holding costs of $98,136 were deducted from the EGI. The appraiser indicated vacant space holding costs consisted of costs associated with 15% of the gross above ground building area or 7,520 square feet of building area. These are costs such as cleaning, insurance, repairs and maintenance, roads and grounds, utilities, and real estate taxes attributable to the projected vacant area. These calculations resulted in a NOI of $397,270 for the subject's above ground area or a decrease of $39,218 from the prior year's appraisal.

Aronson developed a capitalization rate of 8.00%, which is .50 % lower than the prior year's appraisal, which was applied to the NOI resulting in an indicated value for the subject's above ground building area of $4,965,000, rounded.

As in the prior year's appraisal, the parking component of the subject was handled separately by Aronson. Using the same data and figures as the prior year's appraisal a NOI of $148,883 was developed. An overall capitalization rate of 7.75% was estimated to which an effective tax rate of 6.15% was added resulting in an overall capitalization rate of 13.90%, lower than the prior year. The overall capitalization was applied to the parking NOI which produced an estimated value for the subject's parking area of $1,070,000, rounded, $10,000 higher than the 2003 appraisal.

Combining the estimated values from his income approach for the subject's two components resulted in Aronson's slightly lower 2004 estimated value for the subject of $6,035,000, through the income capitalization approach to value, as of January 1, 2004.

The witness testified that he based much of his expense estimates on data published by the Building Owners and Managers Association (BOMA). He also testified that Korpacz Real Estate Investor's Survey for the 1st quarter 2003 and 1st quarter 2004 were sources when developing his capitalization rates for both years. In 2004 he testified he also developed a market derived capitalization rate utilizing one of his sales comparables.

In the 2003 report, five improved sales were reviewed by Aronson to estimate a value for the subject through the sales comparison approach to value. Located in the subject's general area, the sales were of Class A, B or C buildings that occurred from January 2000 to July 2003 for prices ranging from $3,500,000 to $11,214,999 or from $93.07 to $120.27 per square foot of building area. The comparables range in building size from 38,000 to 120,500 square feet; in land area from 5,460 to 10,200 square feet; are from four to fifteen stories; and were built from 1900 to 1991. All of the comparables are multi-tenant buildings, which were sold with leases in place. Two of the comparables have some parking available. Aronson testified adjustments to the comparables were made for factors such as property rights conveyed, financing, conditions of sale, sale date, location and physical characteristics. From this point, the appraiser estimated a range of values for the subject from $118.00 to $122.00 per square foot of above ground building area or from $5,915,048 to $6,115,040. The appraiser selected $119.97 per square foot as a unit value for the subject's above ground building area or $6,015,000. The contributory value of the parking area of $1,060,000 established in the appraiser's income approach to value was then added to the estimated above ground building value for an estimated overall value for the subject of $7,075,000 through the sales comparison to value as of January 1, 2003.

In the 2004 sales comparison approach to value, Aronson reviewed four additional sales of properties located in the subject's general area. The four additional sales occurred from May 2004 to December 2004 for Class C buildings ranging in size from 22,200 to 91,304 square feet; with land areas from 4,900 to 19,500 square feet; from three to five stories in height; and were built from 1901 to 1968. All of the comparables are multi-tenant buildings that were sold with leases in place. One of the comparables has some parking available. The sale price of one of the comparables was adjusted downward to reflect a reported $290,000 in personal property. Sale prices of the comparables ranged from $2,650,000 to $10,004,357 or from $109.57 to $123.66 per square foot of building area. Aronson testified adjustments to the comparables were made for factors such as property rights conveyed, financing, conditions of sale, sale date, location and physical characteristics. Reviewing the nine sales comparables, the appraiser estimated a range of values for the subject of from $122.00 to $125.00 per square foot of above ground building area or from $6,116,592 to $6,267,000. This range of values is from $151,969 to $201,544 higher than the range estimated in the 2003 appraisal. The appraiser then selected $122.47 per square foot as a unit value for the subject's above ground building area or $6,140,000; $125,000 higher than the previous year's estimated value. The same contributory value of the parking area of $1,070,000 established in the appraiser's income approach to value was then added to the estimated above ground building value for an estimated overall value for the subject of $7,210,000 through the sales comparison to value, as of January 1, 2004.

The witness testified that his estimate of value in 2004 was higher due to the subject's valuable parking component.

When reconciling the three approaches to value, Aronson accorded the sales comparison approach primary emphasis with the income capitalization approach supporting emphasis. The least weight was accorded the cost approach to value. The appraiser's final conclusion of value for the subject as of January 1, 2003 was $7,075,000.

As in the 2003 appraisal, in process of reconciling the three approaches to value, Aronson testified he accorded the sales comparison approach the primary emphasis with the income capitalization approach supporting emphasis. The least weight was accorded the cost approach to value. The appraiser's final conclusion of value for the subject as of January 1, 2004 was $7,210,000.

The witness also testified that his opinion of value for 2005 would not be less than his 2003 or 2004 opinions.

During cross examination, when asked whether the classifications accorded the subject and the comparables in his appraisals are a standard used in the appraisal industry, Aronson responded that he made the ultimate determination of what to classify the properties. He was also quizzed about his inclusion of estimated demolition costs when determining land sale amounts. To this he replied, as you are appraising under the assumption the land is vacant, the purchaser must incur demolition costs to make the land vacant. So it is an adjustment that is referred to as an expenditure made after sale that someone has to quantify so that you are comparing vacant site to vacant site. He further noted that the demolition is a cost over and above what was paid for a property.

Appellant's counsel cross-examined Aronson regarding his request to provide access to the subject and other information for his 2004 appraisal report. Aronson responded that he directed a faxed request to the appellant's former counsel; the request was made 22 days before the date of the appraisal; and that he made no follow-up requests to either the former counsel or the taxpayer. Aronson also testified that although it is not stated in his appraisals the building cost estimates are replacement cost.

The intervenors submitted a limited self-contained appraisal report authored by Cheryl A. Inghram. The author of the report did not appear at the hearing. The report revealed that Inghram is a State of Illinois certified appraiser with a MAI designation. The report disclosed that the appraiser made an inspection of the subject; the subject was valued as fee simple; that appraisal relies on data and information contained in the Renzi report dated January 1, 2003. The report indicated the appraiser considered the subject's highest and best use as vacant would be development consistent with zoning and neighborhood regulations and as improved its current use.

To estimate a total market value for the subject of $5,885,000 as of January 1, 2003, Inghram employed two of the three traditional approaches to value; the income capitalization approach; and the sales comparison approach to value.

The income capitalization approach to value was the first approach to value undertaken by Inghram. Leases for seven tenants in buildings located Chicago's north business area were examined. The rented spaces ranged in size from 337 to 37,379 square feet of leased area. The appraiser selected leases with beginning dates from January 2003 to September 2003 with varying terms. Rents ranged from $10.47 to $22.80 per square foot gross. Based on this data and other research, the appraiser estimated $22.50 per square foot, or $1,128,000, as stabilized income (PGI) for the subject's office area. While vacancy for Class B buildings in the subject's area, as reported by *CoStar,* was

22.7%, Inghram opined the subject's single tenant status would be lower and stabilized V&C at 6.0%, or $67,684. Deduction of the V&C from the PGI resulted in an effective net income from the office building of $77,248. A review of local parking indicated that $5.45 per square foot, or $77,248, was a reasonable income for the subject's parking area. Other income for services provided to tenants, based on Building Owners and Managers Association's (BOMA) data, was estimated to be $0.70 per square foot or $35,095. The parking and service income added to the effective net income resulted in an EGI of $1,172,720. Total stabilized expenses of $393,654 were estimated based on BOMA 2002 data and deducted from the EGI, which resulted in a NOI of $779,066.

Inghram reported the Korpacz Real Estate Investor Survey (1st Quarter 2003) and the Real Estate Research Corporation (RERC) (4th quarter 2002) indicated capitalization rates for buildings similar to the subject averaged from 8.0% to 10.5%. From these surveys as well as other indicators the appraiser selected 10.0% as an appropriate capitalization rate for the subject. An effective tax rate of 6.0% was added to determine an overall capitalization rate of 16.0%. After applying the capitalization rate to the NOI, Inghram reported an estimated value for the subject building of $4,870,000, through the income capitalization approach to value. The appraiser then suggested the subject's external surface parking area, or approximately 7,000 square feet, is excess land and has a value not associated with the subject building. An estimated land value of $145 per square foot or $1,015,000 was then added to the estimated value for the subject building resulting in an estimated value for the subject of $5,885,000 through the income capitalization approach to value.

Although a cost approach to value was not implemented, Inghram developed an estimate of the subject's land value. Nine land sales located in the same general area as the subject were reviewed. The comparables range in size from 9,400 to 46,234 square feet of land area; ranged in sale price $939,000 to $8,000,000, or from $82.37 to $290.52 per square foot of land area. The sales occurred from July 1999 to April 2002. The appraisal disclosed the appraiser adjusted the sales for zoning, location, size, and configuration. From this information, Inghram estimated a value for the subject's land $2,260,000, or a unit value of $145.00 per square foot of land.

Inghram surveyed five sales in the sales comparison approach to value. The comparables are five to fifteen story buildings built from 1914 to 1991 ranging in size from 29,100 to 120,500 square feet of building area. The comparables sold from January 2000 to February 2003 for prices ranging from $3,500,000 to $11,214,855, or from $77.27 to $120.27 per square foot of building area. The appraiser reported that adjustments to the comparables for market conditions, location, physical characteristics, and size to estimate a market value range for the subject of from $5,515,000 to $6,015,000, rounded.

In the reconciliation, Inghram reported that primary emphasis was accorded the income capitalization approach to value. The appraiser's final opinion of value for the subject was $5,885,000 as of January 1, 2003.

The board of review submitted its "Board of Review Notes on Appeal" wherein the subject's 2003, 2004 and 2005 final total assessments of $2,171,895 were disclosed. These assessments reflect a fair market value of $5,715,513 or $114.00 per square foot of total building area land included, when the Cook County Real Property Assessment Ordinance level of assessments of 38% for Class 5A commercial property is applied.

In support of the 2003 assessment, the board of review submitted a memorandum and *CoStar Comps* sale summary reporting sheets for four properties (Board of Review Exhibit #1). The memorandum's writer, Jeffrey M. Hortsch, indicated the sales of these properties in the subject's area suggested an unadjusted range of from $105.56 to $136.37 per square foot of building area. Hortsch did not appear at the hearing to explain the similarities and/or differences between the comparables and the subject or to be cross-examined. The comparable properties are from three to seven story commercial buildings built from 1895 to 2002. The comparables range in size from 11,696 to 21,000 square feet of building area and in land size from 45,000 to 49,864 square feet. These sales occurred from April 2001 to August 2004 for prices ranging from $4,750,000 to $6,800,000.

In support of the 2004 and 2005 assessments, the board of review submitted an appraisal report prepared by Jeffrey M. Hortsch of the Cook County Assessor's Office (Board of Review Exhibit #2 and Exhibit #3.) The appraiser did not appear at the hearing. The report indicated Hortsch is a State of Illinois certified general real estate appraiser; that the appraiser made a complete exterior but limited interior inspection of the subject on January 24, 2006; the subject was valued as fee simple; and that appraisal relies on data and information contained in the Renzi report as of January 1, 2003. The report indicated the appraiser considered the subject's highest and best use as vacant would be development consistent with zoning and neighborhood regulations and as improved its current use.

To estimate a total market value for the subject of $5,975,000 as of January 1, 2004, the Hortsch employed two of the three traditional approaches to value; the income capitalization approach; and the sales comparison approach to value.

Hortsch first utilized the income capitalization approach to value. Four rental comparables located in the same general area as the subject were examined. The rental properties were surveyed as of February 2006. The buildings containing the rentals were built from 1881 to 1954; are from three to five stories high; and are considered either Class B or Class C buildings. The rental units examined range in size from 4,000 to 8,748 square feet with rents ranging from $8.00 to $18.00 per square foot triple net. The report suggests that after an analysis of the rental comparables the appraiser concluded that a rental rate of $10.50 per square foot triple net or $526,428 is representative of the subject's income potential.

Estimated parking income was determined based on research suggesting typical parking rentals in the subject's area ranging from $175.00 to $225.00 per month per space. The report suggests that the appraiser stabilized the subject's uncovered spaces at $200.00 per space and $225.00 per space for the covered heated spaces. These calculations resulted in an estimated income for the subject's parking element of $191,400. The subject's total estimated PGI was stabilized at $717,828. Hortsch deducted 15% or $107,674 for V&C resulting in an EGI of $610,154. Expenses for management, leasing commissions and reserves for replacement were estimated to be $66,373, which was deducted from the EGI resulting in an estimated NOI of $543,781.

Both the direct capitalization and the band of investment techniques were examined to determine an estimated 9.00% overall capitalization rate. Application of the estimated overall capitalization rate to the NOI resulted in an indicated value through the income capitalization approach to value of $6,040,000, rounded.

In the sales comparison approach to value, the board of review's appraiser selected five sales located in the same general area as the subject to analyze. These properties are office buildings ranging from four to eleven stories in height built from 1900 to 1931. The comparables range in size from 42,290 to 68,000 square feet of building area and in parcel size from 8,369 to 21,000 square feet of land area. None of the comparables appear to have on-site parking area. These properties sold from March 2002 to March 2005 for prices ranging from $4,600,000 to $8,877,750 or from $77.27 to $120.27 per square foot of building area, including land. The appraiser adjusted the sales comparables for location, time of sale, size, and condition. Hortsch's final opinion of value through the sales comparison approach was a unit value of $118.50 per square foot of building area or $5,975,000, rounded.

In the reconciliation, Hortsch placed primary emphasis on the sales comparison approach with the opinion that the income capitalization approach to value strongly supports the sales comparison approach. The appraiser's final opinion of value for the subject was $5,975,000 as of January 1, 2004.

Based on the evidence submitted supporting the 2003, 2004 and 2005 assessments, the board of review requested confirmation of its 2003 through 2005 assessments.

In rebuttal, the appellant submitted written appraisal reviews of appraisals submitted by the intervenors and the board of review (Appellant's Exhibits #2 through #4.) The appellant called the author, Terrence P. McCormick of McCormick & Wagner, LLC, Oak Lawn as a witness. McCormick testified that he has been a State of Illinois certified general appraiser for 30 years with a MAI designation.

McCormick testified he reviewed two appraisals prepared by Brian F. Aronson with the purpose of analyzing for reasonableness, accuracy and adequacy. As a reviewer of the appraisals, the witness testified he did not inspect the property, the sale properties, present an opinion of value, or investigate additional sales data.

Beginning with Aronson's 2003 appraisal cost approach, McCormick suggested the estimated land value is overstated as six of the seven comparables were purchased for mixed use or residential condominiums; the subject's per square foot estimated value is substantially higher than an adjacent comparable; and the subject's estimated per square foot value is substantially higher than the comparable most similar in size and sale date. The witness pointed out Aronson did not indicate whether he was using reproduction or replacement cost nor did Aronson give sufficient information for the adjustments made to the base price utilized. While depreciation was based on the age/life method, McCormick suggested Aronson selected an age four years less than the subject's actual age without an adequate inspection. In addition, McCormick questioned the selection of functional and external obsolescence without explanatory market evidence in the appraisal.

McCormick suggested that Aronson's income approach was not adequately supported due a variety of concerns such as use of rental comparables with classifications different than the subject; use of average rent rates; the selection of a net rent rate based on three rental properties with semi-gross rents; and a V&C allowance below the market data presented in the report. The witness then voiced concern about Aronson's selected capitalization rate, which was not derived from a market analysis of other owner occupied single user office buildings. With regard to Aronson's income approach for the subject's parking component, the witness suggested estimating an income resulting from the public rental of the parking areas is inconsistent with the appraiser's highest and best use as improved conclusion. Turning to the actual calculations to determine income for the parking component, McCormick suggested the estimated income, expenses and particularly the capitalization rate do not appear to be market based. In the income approach, McCormick's major disagreements with Aronson's methodology were the use of average rents for entire buildings rather than actual rental comparables and the addition of rental income from the subject's parking areas which McCormick considered speculative.

McCormick expressed concern that the Aronson appraisal included only multi-tenant buildings as comparables in the sales comparison approach to value. As the subject is an owner occupied single tenant building, McCormick suggested that the adjustments from leased fee interests to fee simple interest were not only difficult but not adequately supported in the appraisal.

When queried regarding Aronson's reconciliation and final value, McCormick agreed that in the subject's case placing nominal emphasis on the cost and income approaches was appropriate. McCormick opined that while appropriate emphasis was placed on the sales comparison approach the inclusion of parking income caused the final value to exceed the range indicated by the Aronson sale's comparables.

McCormick's critique of the Aronson appraisal, with an effective date of January 1, 2004, was generally the same as he voiced during his testimony regarding the 2003 appraisal.

McCormick was also queried about his desk review of the Inghram report. The witness testified that he regarded the Inghram report more as a summary report than a self-contained appraisal report. McCormick found particularly unfounded, Inghram's opinion that the parking area was excess land. McCormick testified he was unable to determine how the income, vacancy rate, capitalization rate and other calculations were made to determine a value through the income approach to value. In the sales comparison approach, McCormick was unable to follow Inghram's reasoning that led to the appraiser's value conclusion. In addition, McCormick indicated that in his opinion Inghram's primary emphasis on the income approach was inappropriate as the subject is an owner operated property and no rent income is generated.

McCormick testified he performed a review of the appraisal report authored by Jeffrey Hortsch. McCormick pointed out that in the income approach to value the appraiser selected a market rent above the majority of the comparable rental properties; there was a lack of market evidence supporting parking income; and there was a lack of market data supporting the vacancy rate. Within the sales comparison approach, McCormick cited the leased fee status of the comparables as one of the problems with the properties used by Hortsch.

During cross-examination, McCormick reiterated that he disagreed with some of the methodologies and techniques utilized by the intervenors' and the board of review's appraisers. McCormick restated that his assignment was not to appraise the subject property but to prepare desk reviews of those appraisals.

The intervenors submitted a written appraisal review (Intervenor's Exhibit #7) of the Renzi appraisal and called the author, Kathleen M. Dart as a witness. Dart testified that she is a State of Illinois certified general appraiser with a MAI designation.

Dart suggested that the Renzi report did not account for the subject's amenities, such as the cafeteria, fitness facility, locker room, large executive conference areas, and parking facilities as added value. Dart was questioned about the land sales utilized by Renzi. Overall she indicated that a review of the sales indicated that the Renzi's concluded land value for the subject was low. As to the sales comparables Dart opined that as the comparables do not have parking; several were older; and none had amenities similar to the subject.

Dart suggested that Renzi's selection of rent comparables in the income approach to value were unsuitable because they were offerings in the market not actual rented space. Further, the witness considered the age of and amenities contained in Renzi's comparables very inferior to the subject. For these and other reasons, Dart suggested the rental rate selected for the subject is low. In addition, the witness suggested that there does not appear to be market foundation for the vacancy and expenses. She also considered the parking income estimated in the appellant's appraisal to be low. Taken as a whole, the witness testified she considered Renzi's concluded rental rate low.

During cross-examination, the witness recapped her testimony that she did not consider adjustments made by Renzi in the sales comparison approach adequate; and she did not consider the estimated income for the subject's parking facility adequate.

In closing, the appellant's attorney argued that the subject's assessment is excessive for the years at issue as demonstrated by the appellant's appraisal and should be reduced to reflect a market value of $4,500,000.

The intervenors argued that the subject is substantially under-assessed and should be increased reflective of the market values determined by Aronson.

The board of review concluded by arguing the record supports the subject's current assessment and requested confirmation of the current assessments.

After hearing the testimony and considering the evidence, the Property Tax Appeal Board finds it has jurisdiction over the parties and the subject matter of this appeal. The issue before the Property Tax Appeal Board is the subject's fair market value. When overvaluation is claimed the appellant has the burden of proving the value of the property by a preponderance of the evidence. National City Bank of Michigan/Illinois v. Illinois Property Tax Appeal Board, 331 Ill.App.3d 1038 (3rd Dist. 2002); Winnebago County Board of Review v. Property Tax Appeal Board, 313 Ill.App.3d 179, 728 N.E.2d 1256 (2nd Dist. 2000). 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. Section 1910.65 of the rules of the Property Tax Appeal Board (86 Ill.Adm.Code §1910.65(c)). After hearing the testimony and review the evidence the Property Tax Appeal Board finds reductions of the assessments for the years at issue are not warranted.

In these appeals both the appellant's appraisal witness and the intervenor's appraisal witness testified the subject meets all the tests to make its current use as a single tenant office building its highest and best use as improved. The Property Tax Appeal Board finds that all the other evidence in the record concurs with this opinion and that neither of the review appraisers found flaws with this conclusion.

The Property Tax Appeal Board places no weight on the 2003 board of review submission of *CoStar Comps* sale summary reporting sheets and the memorandum from Jeffrey M. Hortsch. Hortsch did not appear at the hearing to explain the similarities and/or differences between the comparables and the subject or to be cross-examined. Further, the Board places no weight on the board of reviews submitted appraisal reports for 2004 and 2005 prepared by Jeffrey M. Hortsch of the Cook County Assessor's Office. The appraiser did not appear at the hearing to undergo cross-examination regarding his credentials and the methodologies applied in the appraisal.

Next, the Property Tax Appeal Board places no weight on the intervenors' appraisal report for 2003 prepared by Cheryl A. Inghram of the Inghram Company, Chicago. The appraiser did not appear at the hearing to undergo significant cross-examination by the appellant or the Board regarding her credentials and the methodologies utilized in the appraisal.

For the 2003, 2004 and 2005 appeals, the Property Tax Appeal Board accords little weight to the income approaches contained in the Renzi and Aronson appraisals. The subject property is a totally owner occupied building, not an income generating property, which both appraisers agreed is the subject's highest and best use.

In contrast for the 2003 appeal, the Board accords considerable weight the sales comparison approaches in the Renzi and the 2003 Aronson appraisals. The two appraisals provided a number of sales to review and analyze. In the 2003 appeal, a total seven sales were described in testimony by the appraisers; and three of these sales were common to the two appraisals. Testimony revealed the seven sales comparables were built from 1900 to 1991 with most of the older buildings having been refurbished or remodeled within the recent past. The comparables ranged in size from 29,100 to 120,500 square feet of building area and were sold from January 2000 to July 2003 for prices ranging from $77.27 to $120.27 per square foot of building area. The three comparables common to the appraisals ranged in size from 29,100 to 66,035 square feet of building area and were sold from January 2000 to February 2003 for prices ranging from $102.63 to $120.27 per square foot of building area. These three properties, the Board finds, are most similar to the subject. The subject's market value of $114.00 falls within the range of these most similar properties. Further, one property stands out as the most similar to the subject; it is a 66,035 square foot building built in 1988 that sold in June 2000 for a price of $113.58 per square foot of building area.

When analyzing the evidence and testimony, the Board examined the adjustments to the comparables made by the appraisers. In general, the appraisers indicated two of the three most similar properties are inferior in age; two are slightly inferior in size; one is slightly superior in size; and all have inferior amenities when compared to the subject. The Board finds that the evidence basically supports the adjustments to the comparables made by the appraisers. Specifically, the Board finds Aronson's opinion indicating that the 66,035 square foot comparable is equivalent to the subject is appropriate. This property had a sale price of $113.58 per square foot of building area and supports the current assessment which reflects a market value of $5,715,513 or $114.00 per square foot of building area.

In conclusion, the Property Tax Appeal Board finds that the subject's 2003 assessment reflecting a market value of $5,715,513 is supported by the sales comparables in the record. Therefore, the Property Tax Appeal Board finds that the assessment of the subject property as established by the board of review is correct and no reduction of the 2003 assessment is warranted.

Turning to the 2004 and 2005 appeals, the Board finds that the additional four sales contained in Aronson's sales comparison to value do not alter the Board's 2003 finding of a market value of $114.00 per square foot of building area for the subject. Therefore, the Property Tax Appeal Board finds again that no reductions of the 2004 and 2005 assessments are 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.

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: July 28, 2009

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.