

PROPERTY TAX APPEAL BOARD'S DECISION

APPELLANT: JK Land, Ltd.
DOCKET NO.: 05-00369.001-C-1
PARCEL NO.: 24-28-479-012

The parties of record before the Property Tax Appeal Board are JK Land, Ltd., the appellant; and the Henry County Board of Review.

The subject property consists of a commercial parcel containing approximately 0.92 acre that is improved with two, three year-old, one-story masonry and frame buildings. Building #1 contains 7,200 square feet and is currently used as a Dollar General Store. Building #2 contains 1,500 square feet and is currently used as a Subway Sandwich shop.

The appellant submitted evidence to the Property Tax Appeal Board claiming overvaluation as the basis of the appeal. In support of this argument, the appellant submitted various statements and a cost summary indicating the subject's total construction costs as of December 2002 were \$338,413. The appellant's evidence acknowledged the subject's land was deeded by the City of Galva to the appellant at no cost. The appellant claimed the subject's land value was \$32,100, based on two assessment comparables located in the subject's immediate area. The appellant reported the comparables had land assessments of \$4,080 and \$17,301. No detail regarding the size of these comparables was submitted. The appellant averaged the two comparables' assessments and then estimated a value for the subject by converting the comparables' assessments to estimated market values.

In further support of the overvaluation contention, the appellant submitted a rent capitalization analysis based on the subject's actual rents. The analysis indicated the rental income for the Dollar General store and the Subway totaled \$45,000. Expense reimbursements totaling \$14,999 were added to the rental income, resulting in gross income of \$59,999. The appellant reported expenses for property taxes, insurance, grounds maintenance, repairs, management fees and miscellaneous totaled \$24,330,

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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 Henry County Board of Review is warranted. The correct assessed valuation of the property is:

LAND:	\$	16,880
IMPR.:	\$	156,770
TOTAL:	\$	173,650

Subject only to the State multiplier as applicable.

resulting in a net operating income of \$35,669. The appellant capitalized this income at 9.5% based on the subject's lease terms, resulting in a market value estimate of approximately \$375,460. No information indicating that this capitalization rate reflected actual market rates was provided. Furthermore, the appellant submitted no information indicating the subject's income and expenses reflected competing similar properties in the subject's neighborhood. Based on this evidence, the appellant requested the subject's total assessment be reduced to \$135,000.

The board of review submitted its "Board of Review Notes on Appeal" wherein the subject's total assessment of \$180,135 was disclosed. The subject has an estimated market value of \$542,902, as reflected by its assessment and Henry County's 2005 three-year median level of assessments of 33.18%.

In support of the subject's estimated market value, the board of review submitted a limited appraisal of the subject property with an effective date of January 1, 2005, but the preparer of the report was not identified. The report stated the Marshall & Swift Commercial Cost Manual was used to value the subject buildings as well as several other Subway and Dollar General stores in Henry County. No actual cost approach was submitted, nor was a value estimate by the cost approach provided. The board of review indicated the subject lot was sold to the appellant for \$1.00 in July 2002.

Regarding an income approach, the board of review's appraisal included a limited income analysis, similar to that submitted by the appellant. The board of review's income analysis used the appellant's quoted income and expenses for the subject, but did not consider property taxes as an expense item, as did the appellant. The board of review submitted no information on comparable competing properties to demonstrate the subject's income and expenses were typical. The board of review's analysis utilized an effective tax rate of 3% in its "overall cap rate" of 10.5%. No source for this rate was supplied, but the board of review estimated the subject's market value by this income analysis was \$520,943.

The board of review also submitted a grid analysis detailing assessments of three other Subway shops in Henry County that were located 10 to 25 miles from the subject, as well as one Dollar General store that was located 17 miles from the subject. The comparable Subway shops range in size from 1,440 to 2,103 square feet and had improvement assessments ranging from \$49,248 to \$122,627 or from \$31.09 to \$58.31 per square feet of building area. The board of review's grid indicated the subject's Subway building had an improvement assessment of \$45,748 or \$30.50 per square foot. The comparable Dollar General store contains 8,241

square feet of building area and has an improvement assessment of \$150,235 or \$18.23 per square foot, while the subject's Dollar General store building had an improvement assessment of \$117,507 or \$16.74 per square foot. The board of review's grid analysis further indicated that comparable Subway shop no. 1 sold in November 2002 for \$900,000. This included an additional parcel improved with a 3,856 square foot Hardee's restaurant. The board's final summation narrative indicated this comparable had a total of 5,959 square feet of building area and that its sale price equated to \$151.03 per square foot of building area including land. Finally, the board of review acknowledged it had reduced the subject's 2006 total assessment to \$173,650 and further stipulated to reduce the subject's 2005 total assessment to this figure, indicating an approximate market value of \$520,950, based on the evidence the board had submitted. Based on this evidence the board of review requested the subject's total assessment be confirmed.

In rebuttal, the appellant argued the board of review erred in its income capitalization analysis. The appellant claimed the tenant's expense reimbursement included \$11,500 for property taxes and that for the board of review's capitalization analysis to be correct, the total property tax expense of \$19,030 should be included, or the reimbursements for property tax excluded.

After reviewing the record 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 a reduction in the subject property's assessment is warranted. The appellant contends the market value of the subject property is not accurately reflected in its assessed valuation. When market value is the basis of the appeal the value of the property must be proved by a preponderance of the evidence. National City Bank of Michigan/Illinois v. Illinois Property Tax Appeal Board, 331 Ill.App.3d 1038 (3rd Dist. 2002). The Board finds the evidence in the record demonstrates that a reduction in the subject's assessment is warranted.

The Property Tax Appeal Board finds the appellant submitted evidence detailing the subject's construction in 2002. The appellant indicated the subject's land was donated by the City of Galva. The board of review's evidence indicates the land was sold to the appellant for \$1.00. Notwithstanding this slight discrepancy, the Board finds the appellant attempted to support a land value estimate for the subject based on assessments of two properties. No information on these two properties was supplied, such as lot size, other than that one was occupied by Hathaway's True Value and the other by Gustafson Ford. The appellant submitted no actual land sales information. Thus, the Board gave no weight to the appellant's estimate of the subject's land

value. The Board gave little weight to the construction cost information submitted for the subject's improvements because they were built in 2002, several years prior to the subject's January 1, 2005 assessment date.

The Board also gave little weight to the appellant's income and expense analysis. The appellant used the subject's actual income and expenses, including property taxes as an expense item, neglecting to account for taxes using an effective tax rate as a component of an overall capitalization rate, which is the preferred method. The appellant also provided no support from the market for its use of a 9.5% capitalization rate. For these reasons, the Board finds the appellant's evidence provided inadequate support for the requested assessment reduction and the appellant failed to meet the burden of proving overvaluation by a preponderance of the evidence.

The Board finds the board of review submitted a limited appraisal of the subject property prepared by an unnamed individual. This appraisal was flawed in a number of areas. Regarding the cost approach, the board of review indicated the "Marshall & Swift Commercial cost manual was used to value the buildings." However, no detailed replacement cost analysis was submitted, nor were any land sales submitted in support of the subject's land assessment. The board of review also submitted an abbreviated income and expense analysis similar to that submitted by the appellant, using the subject's income and expenses and including an effective tax rate in its overall capitalization rate, which is the more correct method to account for property taxes. The board failed to submit any comparable sales information, other than the 2002 sale of a Subway shop located 25 miles from the subject, but instead submitted an improvement assessment comparison grid. The Property Tax Appeal Board finds the board of review's assessment grid fails to support the subject's estimated market value as reflected by its assessment and does not properly respond to the appellant's overvaluation argument.

However, the Board finds the board of review's income and expense analysis used an effective tax rate to account for the property tax component in its overall capitalization rate and gave more weight to the board of review's value estimate for this reason.

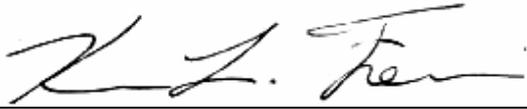
The Property Tax Appeal Board finds the board of review's evidence disclosed the subject's 2006 total assessment was reduced to \$173,650. The board of review further agreed to reduce the subject's 2005 total assessment to \$173,650. The Board finds the board of review's evidence demonstrated the subject's 2005 assessment of \$180,135 is incorrect and thus, a reduction in the subject's assessment is appropriate.

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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: August 14, 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.