FINAL ADMINISTRATIVE DECISION
ILLINOIS PROPERTY TAX APPEAL BOARD

APPELLANT: Meacham 2004 LLC
DOCKET NO.: 05-27627.001-C-2
PARCEL NO.: 07-12-300-009-0000

The parties of record before the Property Tax Appeal Board are Meacham 2004 LLC, the appellant, by attorney James P. Regan, of Fisk Kart Katz and Regan, Ltd. in Chicago; the Cook County Board of Review; as well as the two intervenors, Palatine Township H.S.D. #211, and Schaumburg Community Consolidated S. D. #54, both by attorney Michael J. Hernandez and attorney Scott Metcalf of Franczek Radelet P.C. in Chicago.

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

LAND:	$	174,055
IMPR.:	$	397,843
TOTAL:	$	571,898

Subject only to the State multiplier as applicable.

ANALYSIS

The subject property consists of 70,472 square feet of land improved with a 24-year old, one-story, masonry, multi-tenant, office building with 20,109 square feet of building area.

As to the basis of this appeal, the appellant argued that the fair market value of the subject property is not accurately reflected in its assessed value.

As to the overvaluation argument, the appellant submitted a complete, summary appraisal report reflecting an effective date of January 1, 2005 estimating a market value for the subject property of $1,010,000 as of the assessment date at issue. The appellant choose not to call its appraisers as witnesses in these proceedings.

The appraisal was undertaken by two appraisers: David Barros, a Certified Real Estate Appraiser licensed in Illinois, and Mitchell Perlow, a Certified General Real Estate Appraiser in Illinois who also is accorded the designation of Member of the Appraisal Institute (hereinafter MAI). The appraisal states that the subject property was inspected on June 6, 2006 without further detail. The appraisal also indicated that the subject's site and improvement data were developed from a plat of survey provided by the subject's owner without warranting the accuracy thereof.

The appellant's appraisal addresses the three traditional approaches to value. The cost approach reflected a value of $1,030,000, rounded; the income approach reflected a value of $1,010,000, rounded; while the sales comparison approach indicated a value of $1,005,000, rounded. In reconciling these approaches to value, the appraisers placed main reliance on the sales comparison approach to reflect a final value of $1,010,000 for the subject.

The appraisal stated that the subject property consisted of a 24-year old, one-story, 20,109 square foot, office building with masonry exterior construction and a land-to-building ratio of 3.5:1. As to the subject's five possible tenants, the appraisers indicated that one tenant with 5,034 square feet of building area had rent below market level. The appraisal stated that in the income approach to value, the appraisers will impute market level rent for this unit and then develop the net present value of the subject's rent loss. In addition, the appraisers opined that a second tenant occupies a unit for above market rent and has excess rent. Moreover, the appraisal indicated that the market level vacancy for the subject's area is 20%, but that the subject had an actual vacancy at 37%. The appraisers opined that it would take the subject two years to reach a 20% vacancy rate; therefore, the overall net present value of the rent loss will be deducted from all three approaches to value.

In addition, the appraisal indicated that the subject was purchased in February, 2005, for $1,505,000 with a vacancy rate of 29%. The appraisal stated that the current owner purchased the subject for its close proximity to other multi-tenant office building which they owned thereby asserting that a premium was paid for the on-going business operation. Moreover, the appraisers developed a trend analysis for the subject which stated that the subject's immediate area was virtually 80% built-up with minimal development apparent. Therefore, the appraisers opined that the subject was in an equilibrium stage with real estate values expected to remain relatively stable over the next several years.

As to the subject, the appraisal indicated that the subject is located in Schaumburg and that the village zoning department confirmed that the subject was accorded legal, non-conforming use. The appraisal also noted that there is a common area within the subject's improvement including a vestibule, common conference room, four common washrooms, and a common kitchen/break room area. The appraisers opined that the structure was of average conditions and average functional utility inhibited by the common conference room and break room limiting rentable office space. In addition, the appraisal indicated that the appraisers estimated that the subject's effective age between 25 to 30 years with a remaining economic life from 20 to 25 years.

In developing a highest and best use, the appraisal stated that as vacant, the subject's highest and best use would be for improvement consistent with neighborhood characteristics and market demand. As to the subject's highest and best use as improved, the appraisal stated this would be its existing use cured of all physically deteriorated items for the remainder of its economic life.

The first approach to value developed by the appraisers was the cost approach wherein five land sales were used located within the subject's suburb. These sales occurred from February, 2003, through January, 2005, for prices that ranged from $5.00 to $10.75 per square foot of land area. The land sizes ranged from 60,600 to 114,127 square feet. The appraisers considered an estimated value of $8.00 per square foot reasonable for the subject reflecting a land value of $565,000, rounded. Using the <u>Marshal Valuation Service</u>, a replacement cost new was developed indicating an $80.00 per square foot value or $1,608,720. The appraisers estimated 0% physical depreciation, 55% functional obsolescence, and 15% external obsolescence reflecting a total depreciation of $1,126,104. Functional obsolescence was attributed to the subject's common area which limited rentable office space. The external obsolescence was explained as a 37% vacancy rate at the subject property, while there was a 20% vacancy rate reported for office buildings in the subject's area. Adding the on-site improvement value of $10,000 indicated a total depreciated value of the improvements and land of $1,060,000, rounded. However, the appraisers subtracted the present value of the overall rent loss of $28,000 for a market value under the cost approach of $1,030,000, rounded.

The appraisal identified the subject's actual lease information on three of the five rental spaces. The three tenants ranged in size from 2,324 to 5,358 square feet of building area and in rental rates from $8.84 to $26.56 per square foot.

The second approach developed was the income approach to value wherein six rental properties were used, which were located in the subject's suburb. Five of these rentals were asking rents, while only one was an actual lease. This lease related to a building with 17,700 square of building area and a rental rate of $16.19 per square foot applicable to 4,701 square feet of rentable area. The asking rentals ranged in size from 1,625 to 6,426 square feet of building area and in asking rents from $17.00 to $22.00 per square foot.

The appraisers used an actual contract rent of $19.23 applied to 2,324 square feet of the subject's building area; larger unit market rent of $17.25 per square foot applied to 16,321 square feet; and vacant small unit market rent of $19.00 applied to 1,464 square feet to estimate a gross potential income of $354,053 for the subject. Less a 20% vacancy and collection loss of $70,811 resulted in an effective gross income of $283,242. Total projected expenses were estimated at $113,968 resulting in a net operating income before real estate taxes at $169,274. In developing a capitalization rate, the appraisers looked to four market surveys that identified capitalization rates for office properties ranging from 7.61% to 10.17%. Using a 9.0% capitalization rate plus a rate for real estate taxes of 7.24%, the appraisers employed an overall capitalization rate of 16.24% to reflect a value estimate under the income approach of $1,040,000, rounded. Thereafter, the appraisers subtracted the present value of the overall rent loss of $28,000 to obtain a market value estimate under the income approach of $1,010,000, rounded.

Under the sales comparison approach to value, the appellant's appraisers utilized five suggested comparables of commercial properties in the subject's area. The properties sold from November, 2003, through December, 2005, for prices that ranged from $925,000 to $5,033,333 or from $38.93 to $55.69 per square foot before adjustments. The improvements ranged in size from 20,500 to 94,246 square feet and in age from 19 to 35 years. In addition, the properties ranged in land-to-building ratios from 1.77:1 to 7.59:1. The improvements consisted of one multi-tenant building ranging from one-story to six-story in design with varying exterior construction. After making adjustments, the appraisers considered a unit value of $51.50 per square foot to be appropriate for the subject resulting in an estimated market value of $1,035,000, rounded. The appraisers subtracted the present value of the overall rent loss of $28,000 to estimate a final market value under the sales comparison approach of $1,005,000, rounded.

In reconciling the three approaches to value, the appraisers accorded the least weight to the cost approach to value. The appraisal stated because the subject is an income-producing property that major emphasis was placed both the income and sales comparison approaches to value. Therefore, the appraisers opined that the market value of the subject was $1,010,000 as of January 1, 2005.

The board of review timely submitted "Board of Review Notes on Appeal" wherein the subject's final assessment of $571,898 was disclosed. This assessment indicates a market value of $1,504,995 or $74.84 per square foot applying the ordinance level of assessment at 38% for class 5a property as designated by Cook County Real Property Assessment Classification Ordinance.

In addition, the board of review submitted a market analysis prepared by Ralph DiFebo, an employee in the assessor's office, relating to the subject's property. However, he was not presented to testify regarding either his qualifications or the methodology used in his report. The report indicated that the subject was improved with a one-story, office building constructed in 1983 with 20,109 square feet of building area. The subject's land area comprises 70,468 square feet.

In addition, the DiFebo analysis argued that the appellant's appraisers' position regarding the subject's sale is unsupported. Specifically, he stated that he spoke with both the seller's and buyer's brokers to confirm the details of the subject's sale. He indicated that the listing buyer confirmed the CoStar Comps sale price of $2,150,000, while the buyer's broker confirmed the appellant's sale price of $1,505,000. Moreover, he included copies of documents from the Cook County Recorder of Deeds Office wherein document #0504914062 was recorded on February 18, 2005 reflecting the subject's sale in the amount of $1,505,000. DiFebo also attached a copy of the subject's CoStar Comps printout, which on page #2 stated that the county transfer tax reflected a sale price of $1,505,000 even though the listing broker provided a different sale price.

Further, the board of review submitted copies of CoStar printouts for five sale properties. The raw sales data on the properties indicated that they sold from March, 2003 to October, 2006, for prices from $1,560,000 to $2,075,000 or from $79.17 to $118.57 per square foot. The properties range in improvement size from 17,035 to 24,000 square feet of building area and in age from 15 to 27 years. The improvements range from a one-story to a three-story, masonry or concrete, class B or class C office building. The printouts further indicate that sale #4 contained no real estate brokers, while each sale contains a tenant mix ranging from 4 to 16 tenants with vacancy rates ranging from 5% to 41%.

At hearing, the state's attorney argued that the subject's sale in 2005 for $1,505,000 was relevant to the market value of the subject property even though the appellant's appraisal asserted that the sale transaction did not meet the definition of market value. Therefore, the state's attorney asserted that the subject's current assessment and market value be sustained.

Intervenors' attorney submitted a brief as well as copies of CoStar printouts for three sale properties even though a grid analysis reflects that one of those properties was the subject property. In addition, the remaining two sale properties were also submitted by the board of review as sale #5 and #3, respectively.

At hearing, the intervenors' attorney argued that the subject's assessment and market value be maintained.

In rebuttal at hearing, the appellant's attorney argued that the board of review and the two intervenors had failed to proffer sufficient evidence regarding the suggested sale properties to meet the burden of supporting the subject property's assessment and market value because the evidence submissions consist solely of raw data. In addition, he argued that the subject's purchase was not just a sale of a fee simple interest, but that of a revenue stream.

After hearing the testimony and/or arguments as well as 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 the basis of the appeal, the value of the property must be proved by a preponderance of the evidence. *86 Ill.Admin.Code 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. *86 Ill.Admin.Code 1910.65(c)*. Having considered the evidence presented, the PTAB finds that a reduction is not warranted.

In determining the fair market value of the subject property for tax year 2005, the PTAB closely examined the parties' evidence submissions.

The PTAB finds the best evidence of market value to be the recent sale of the subject property in February, 2005, for the amount of $1,505,000. The PTAB finds unpersuasive the appellant's appraisers' assertion that merely because the buyer owned other properties in the subject's locale was sufficient reason to taint this subject's sale. *Assuming arguenda,* that the appellant's appraisers were privy to additional reasons why this sale was not an arm's length transaction, the appraisers failed to provide said explanation within the confines of the appraisal report. In contrast, the board of review submitted a copy of the CoStar Comps printout and documentation from the Cook County Recorder of Deeds Office evidencing this sale price.

The PTAB accorded no weight to the board of review's and the intervenors' raw sales data on submitted properties. In addition, these parties failed to call a witness to testify about qualifications, identify work, testify about the contents of the report and conclusions or be cross-examined by the remaining parties as well as the Property Tax Appeal Board.

Moreover, the PTAB accords little weight to the appellant's appraisal for the appraisers were not present or called as a witness to testify about his qualifications, identify his work, testify about the contents of the report and his conclusions or be cross-examined by the remaining parties as well as the Property Tax Appeal Board.

Further, the PTAB accorded this appellant's appraisal little weight due to unanswered questions regarding the development of the three approaches to value, specifically: the subject's inspection; the subject's sale; the subject's description and/or legal non-conforming usage; the absence of a classification of the subject's office building in the various approaches; the appraisers' identification of the subject's tenants as containing "excess" or "less" rents without further explanation; the absence of physical depreciation applicable to the subject's 24-year old improvement; the vague development of the highest and best use; the imprecise estimate of the subject's effective age and the remaining economic life; the unsupported functional obsolescence attributed to the subject; the usage of actual rental data from the subject instead of market data in the income approach; the usage of inappropriate rental comparables which exhibited only asking rents not actual leases; the unsupported expense deductions taken in the income approach to value; limited detail regarding the improved sale properties; as well as the unsupported and erroneous deduction of what the appraisers identified as the net present value of the overall rent loss applied to the final estimate of market value in each of the three approaches to value.

Based on this analysis, the PTAB finds that the subject's assessment and market value for tax year 2005 is supported by the subject's recent sale and that a reduction was not 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: February 18, 2011

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.