

PROPERTY TAX APPEAL BOARD'S DECISION

APPELLANT: Totall Metal Recycling, Inc.
DOCKET NO.: 06-00425.001-I-2 & 06-00425.002-I-2
PARCEL NO.: 22-1-20-18-00-000-001 & 22-1-20-07-00-000-015.001

The parties of record before the Property Tax Appeal Board are Totall Metal Recycling, Inc., the appellant, by attorney Patrick M. Flynn of Flynn & Guymon, Belleville, Illinois; the Madison County Board of Review by Assistant State's Attorney Dean Sweet; and Community College Dist. No. 522, intervenor, by attorney Sean Cronin of Becker, Paulson, Hoerner & Thompson, P.C., Belleville.

The subject is an industrial property located on three parcels totaling 15.22 acres.¹ The property is improved with nine buildings containing a total building area of approximately 90,000 square feet. The buildings were constructed in stages from 1966 through 2006. The buildings have ceiling heights ranging from 10 to 40 feet and the subject has 7% of the building area as office space. The property is located in Granite City, Granite City Township, Madison County.

The appellant appeared before the Property Tax Appeal Board contending the market value of the subject property is not accurately reflected in its assessed valuation. In support of this argument, the appellant submitted an appraisal prepared by real estate appraiser Scott M. Tade of Tade Appraisal Company estimating the subject property had a market value of \$1,475,000 as of January 1, 2006.² The appellant called Scott M. Tade as its witness.

Tade testified that he made an inspection of the subject property by inspecting and photographing the buildings. He measured as much as he could and further testified he walked off and verified with overhead photographs what he could not get to with a tape

¹ Parcel 22-1-20-07-00-000-015, containing .6 acres, is not under appeal. This parcel had a total assessment of \$4,180.

² Tade's estimate of value included parcel 22-1-20-07-00-000-015.

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

Docket No.	06-00425.001-I-2	06-00425.002-I-2
Parcel No.	22-1-20-18-00-000-001	22-1-20-07-00-000-015.001
Land	\$83,590	\$18,260
Improvement	\$302,550	\$224,500
Total	\$386,140	\$242,760

Subject only to the State multiplier as applicable.

measure. Tade testified the site had 15.22 acres and was improved with six separate buildings as well as covered storage bins. He estimated there was 85,680 square feet of building area. Tade was of the opinion the subject's highest and best use as improved was its current use as an industrial and warehouse facility. He also estimated in his report that the realistic marketing time for the subject should not exceed 12 months. Tade estimated the market value of the subject using the sales comparison approach and the income approach to value.

The first approach developed by Tade was the sales comparison approach. The appraiser included six comparable sales in the appraisal. The comparables were located in the Illinois communities of Mascoutah, Granite City, Belleville and Madison. The comparables ranged in size from 13,300 to 230,000 square feet of building area. The properties sold from January 2001 to October 2005 for prices ranging from \$280,000 to \$1,200,000 or from \$6.74 to \$22.56 per square foot of building area. The appraiser opted not to use comparable sale number 1, which sold for \$16.46 per square foot of building area, due to its low ceiling height and large office area. The appraiser also opted not to use comparable sale number 5, which sold for \$22.56 per square foot of building area, due to its small size. The remaining comparables had prices ranging from \$6.74 to \$18.52 per square foot of building area. After making adjustments to the comparables for date of sale, location, land to building ratio, construction, condition, size and "extras", the appraiser was of the opinion the comparables had adjusted prices ranging from \$15.30 to \$17.93 per square foot of building area. Tade estimated the subject had an indicated value under the sales comparison approach of \$16.76 per square foot of building area or \$1,435,000.

In developing the income approach to value the appraiser used rent comparables located in the Illinois communities of Red Bud, Mascoutah, Centralia and Millstadt. The rental comparables were warehouses that ranged in size from 19,000 to 170,000 square feet. Their rents ranged from \$1.85 to \$3.30 per square foot either on a triple net or gross basis. The appraiser estimated the subject had a market rent of \$2.50 per square foot of building area on a triple net basis. The appraiser estimated the subject had a gross income of \$214,200.

Tade stated in his report that based on interviews with industrial realtors the subject would have a vacancy rate of 25% and a management fee and miscellaneous expenses of 12% of effective gross income. After making deductions for vacancy as well as for management and miscellaneous expenses, Tade estimated the subject had a net income of \$141,372.

Tade estimated the capitalization rate for the subject to be 9.36% using the band of investment technique. Capitalizing the subject's net income resulted in an estimate of value under the income approach of \$1,510,000.

In reconciling the two approaches to value, Tade gave equal weight to the sales comparison approach and the income approach to arrive at an estimate of value of \$1,475,000 as of January 1, 2006.

Tade testified the subject property was located on a secondary site because the property is not located off of the interstate with good visibility and easy access. He indicated the subject's location affected his opinion of value. He cited his sale number 4 as a property in a secondary location that has been available for lease for two years for \$1.95 per square foot. He also testified that his comparable sale number 1 was entirely vacant at the time of sale in March 2005 and is currently 40% vacant. He was of the opinion these two examples justified his estimate that the subject would have a 25% vacancy rate.

Under cross-examination the appraiser acknowledged his opinion of the subject's marketing time should not exceed 12 months. The appraiser also noted that he did not estimate the subject's land value in his appraisal. Tade testified his description of the subject as having six separate buildings excluded the recycle bins, which are open sided buildings with roofs on them. Tade's estimate of size for the subject's building area does not include the recycle bins. Tade acknowledged that his appraisal does not include an estimate of value for the recycle bins. Tade also agreed that his appraisal report does not contain the age of any of the comparable sales he used. Tade also agreed that his appraisal does not reflect the ceiling height for any of the comparables. Tade indicated that comparable sale number 2 contained one building, comparable sale number 3 had two buildings and comparable sale number 4 was only a portion of a larger building. He agreed that he didn't use comparable sale number 5 due to its small size of 13,300 square feet but chose to use sale number 6 that was approximately 9,000 square feet larger with 22,000 square feet.

Tade also agreed that his report contained only one sentence with respect to his estimate of the subject having a vacancy rate of 25%. He stated that his estimate of the vacancy rate was based on his experience and interviews with industrial brokers. He agreed his report had no other data that would corroborate the vacancy rate.

The board of review submitted its "Board of Review Notes on Appeal" wherein its final equalized assessment of the two parcels under appeal totaling \$686,950 was disclosed. The subject's assessment reflects a market value of \$2,061,675 using the 2006 three year median level of assessments for Madison County of 33.32%.

In support of its contention of the correct assessment, the board of review submitted an appraisal prepared by Barry T. Loman

estimating the subject property had a market value of \$1,900,000 as of January 1, 2006.³

At the beginning of the hearing, the appellant made a motion to strike the Loman appraisal from the record contending the Madison County Board of Review did not request an extension of time to submit evidence. A review of the record disclosed that by letter dated April 3, 2007, the Property Tax Appeal Board notified the board of review of the appeal and further granted the board of review until May 3, 2007, to submit evidence or request an extension of time to submit evidence. By correspondence dated April 9, 2007, and received by the Property Tax Appeal Board on April 16, 2007, the board of review requested an extension of time to submit evidence. By letter dated May 24, 2007, the Property Tax Appeal Board granted the board of review until July 23, 2007, to submit evidence or request a further extension of time to submit evidence. By correspondence dated and postmarked July 23, 2007 and received by the Property Tax Appeal Board on July 30, 2007, the board of review submitted its "Board of Review Notes on Appeal" and the Loman appraisal. Based on this record the Property Tax Appeal Board finds the appraisal submitted on behalf of the board of review was timely and denies the appellant's motion to strike the Loman appraisal from the record.

The board of review called as its witness real estate appraiser Barry T. Loman. Loman testified that he is a valuation specialist for Madison County and does commercial and industrial work for the board of review.

Loman testified he was not allowed to go on the property but drove by the property and took some photographs. He also received the property record cards for the subject from the Granite City Township Assessor Darlene Laub and reviewed some aerial photos of the subject. Based on this data he estimated the subject had 90,141 square feet of building area. In his report Loman indicated the highest and best use of the subject was as currently improved as an industrial/warehouse property. He also estimated the exposure time for the subject property would be one year to attain the value estimate contained in the appraisal. He also estimated the marketing period for the subject property would not exceed twelve months.

In estimating the market value of the subject property, Loman developed the three approaches to value. Under the cost approach Loman first estimated the value of the land using six comparable sales. These comparable sales ranged in size from 2.49 to 37.52 acres. Five of the comparables were located in Granite City and one was located in East St. Louis. The land sales occurred from June 2003 to January 2006 for prices ranging from \$87,000 to \$475,000 or from \$9,995 to \$34,940 per acre. After making adjustments for time, size and location, Loman was of the opinion the land comparables had adjusted prices ranging from \$15,480 to \$26,253 per acre. Loman indicated the average price for the land

³ Loman's estimate of value included parcel 22-1-20-07-00-000-015.

sales was \$19,300 per acre. Loman placed the most emphasis on land comparables 1 and 2 due to date of sale and location. These comparables sold for prices of \$13,433 and \$17,502 per acre and had adjusted prices of \$20,150 and \$26,253 per acre. Based on this data Loman estimated the subject had a land value of \$21,250 per acre or \$323,400.

Loman next estimated the replacement cost new of the improvements using the Marshall Valuation Service. He estimated the subject improvements had a replacement cost new of \$2,808,094. Loman estimated the subject suffered from 17.1% or \$480,184 in physical depreciation using an effective age of 6 years and an economic life of 35 years. He also estimated the subject suffered from \$669,360 in external obsolescence based on a \$1.00 per square foot of rent loss due to its location. In conclusion, Loman was of the opinion the subject improvements had a depreciated value of \$1,658,550. Adding the estimated land value and the depreciated improvement value, Loman estimated the subject had an indicated value of \$1,982,000 under the cost approach.

The next approach to value developed by Loman was the sales comparison approach. Loman utilized eight comparable properties located in the Illinois communities of Granite City, Madison, Bethalto and Sauget. The improvements ranged in size from 9,120 to 405,740 square feet of building area. The appraiser disclosed that six of the comparables were constructed in whole or in part from 1964 to approximately 2000 and had ages ranging from 5 to 57 years old. The appraiser disclosed the comparables had ceiling heights ranging from 10 to 60 feet and office areas ranging from none to 45% of building area. These properties had parcels ranging in size from 1.4 to 55.88 acres. The sales occurred from April 1997 to March 2007 for prices ranging from \$300,000 to \$9,908,269 or from \$9.12 to \$65.79 per square foot of building area. After making adjustments for time, size, location, age, quality, office space, and ceiling height the appraiser was of the opinion the comparables had adjusted prices ranging from \$16.86 to \$24.30 per square foot of building area. Based on this data the appraiser estimated the subject had an indicated value under the sales comparison approach of \$20.00 per square foot for a total market value of \$1,803,000.

Loman testified his sale number 2, which sold in August 2005 for \$32.89 per square foot of building area, was originally part of his sale number 3 that sold in December 2001 for a price of \$38.24 per square foot of building area. Loman also testified his sale number 4 was located in the Northgate Industrial Park, which is a superior location as compared to the subject.

The final approach to value developed by Loman was the income approach to value. To estimate the market rent Loman utilized five comparable rentals located in the Illinois communities of Madison, East St. Louis, Highland, Mascoutah, and Millstadt. The comparables ranged in size from 34,000 to 168,456 square feet with rents ranging from \$2.35 to \$4.04 per square foot. Based on this data Loman estimated the subject had a market rent of \$2.50

square foot on a net basis resulting in a potential gross income of \$225,353. Loman estimated the subject would have a vacancy and collection loss of 7.5% resulting in an effective gross income of \$208,452. From this amount Loman deducted 15% of effective gross income or \$31,268 for expenses resulting in a net income of \$177,184. To estimate the capitalization rate Loman used the band of investment method to arrive at a rate of 9.9% and conducted an investment survey to arrive at a rate of 7.26%. Comparing these two rates, Loman concluded the capitalization rate applicable to the subject would be 9.0%. Capitalizing the subject's estimated net income resulted in an estimate of value under the income approach of \$1,960,000.

In reconciling the three approaches to value Loman placed the least amount of emphasis on the cost approach with most emphasis on the sales comparison and income approaches to value. Loman estimated the subject property had a market value of \$1,900,000 as of January 1, 2006.

Under cross-examination Loman acknowledged that he is a salaried employee of the Madison County Chief County Assessment Official. He has been a salaried employee with Madison County for 19 years. Loman also testified he was aware that the Granite City Township Assessment Officials were allowed access to the subject property. He also agreed that the subject property is located in a secondary warehousing area.

With respect to the vacancy rate of 7.5% utilized in the income approach, Loman testified that he looked online at different societies such as the Society of Industrial Realtors and Colliers Turley and Martin. He also examined three or four different market analyses of vacancy rates in the St. Louis and metro-east area. He testified that he did not find any vacancy rates near 20% for 2005, the previous year, and testified that he did not see any rates that exceeded 10%. He did acknowledge that for 2008 he has seen vacancy rates as high as 23% in some areas.

Loman also indicated that he included in his appraisal report a building that was constructed on the subject property in 2006.

The next witness called on behalf of the board of review was board of review member E. Anne Hutson. Ms. Hutson testified that a 9,300 square foot metal utility building was constructed on the subject site during 2006. A building permit was issued in March 2006 for \$193,000 and was ultimately valued at \$100,180 according to the property record card included in the addendum of Loman's report. Ms. Hutson testified that a property can be valued after January 1 based on an instant assessment based on a prorated assessment from the date of completion.

Tade was called as a rebuttal witness. He testified that his research indicated that Loman's comparable sale number 5 is currently vacant and has been listed on the market since at least October 2007 for a price of \$2,600,000.

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 Board further finds a reduction in the subject's assessment is warranted.

The appellant contends the assessment of the subject property is excessive and not reflective of its market value. 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 supports a reduction in the subject's assessment.

The appellant submitted an appraisal estimating the subject property had a market value of \$1,475,000, as of January 1, 2006. The Madison County Board of Review submitted an appraisal estimating the subject property had a market value of \$1,900,000 as of January 1, 2006. The two parcels under appeal have assessments totaling \$686,950 reflecting a market value of \$2,061,675 using the 2006 three year median level of assessments for Madison County of 33.32%. The Board finds that the evidence provided by both parties demonstrates the subject's assessment is excessive.

One of the differences in the appraisals was with respect to the building area associated with the subject property. Although Tade testified he measured the building improvements, his appraisal did not contain the building area associated with the covered steel span storage bins. Therefore, the Board finds Tade understated the size of the subject improvements. Although Loman was not allowed to inspect the property he was able to use the property record cards developed by the Granite City Township Assessment Officials that had inspected the subject property. The Board also finds that Loman's report included a 9,300 square foot metal utility building that was constructed on the subject site in 2006. The record indicates this building was given a prorated assessment and valued at \$100,180 for assessment purposes. The Board finds that Loman's estimate of size of the building improvements is the better supported of the two conclusions.

Of the two appraisals, the Board finds the appraisal and testimony provided by Loman is better supported and more credible than Tade's appraisal and testimony. First, the Board finds that Loman developed all three of the traditional approaches to value in developing his estimate of market value. Although the cost approach is given less weight than either the sales comparison approach or the income approach, this method does act as a check on the validity of the other two approaches to value. The Board finds that the inclusion of this approach does buttress the overall conclusion of value developed by Loman and adds to the credibility and reliability of his conclusion of value.

With respect to the income approach to value developed by Loman and Tade, the two appraisers were in near agreement with respect

to the market rent of \$2.50 per square foot, the expenses to be deducted with Tade at 12% of effective gross income and Loman at 15% of effective gross income, and the capitalization rate to be applied to the net income with Tade at 9.36% and Loman at 9.00%. The primary difference between the two appraisers was with respect to the vacancy rate to be applied to the subject property with Tade at 25% and Loman at 7.5%. The Board finds that neither report has a reference to any authority or statistical data relative to vacancy of industrial warehouse type properties located in the subject's market area. Additionally, Tade's estimate of vacancy was simply stated as a fragment in a sentence of his appraisal referencing interviews with industrial realtors. Similarly, Loman's appraisal had one paragraph devoted to vacancy and collection loss. The Board finds, however, that Loman's testimony with respect to his research conducted to arrive at his estimate of the vacancy rate was more credible. The Board further finds that both appraisers agreed the subject would have a marketing period that would not exceed 12 months and Loman further indicated in his report that the exposure time for the subject would be one year to attain the value estimate in his appraisal. These estimates of exposure time and marketing period tend to support Loman's conclusion that the appropriate vacancy rate applicable to the subject property as of January 1, 2006 was 7.5%. Based on this analysis the Board finds Loman's estimate of value under the income approach is more credible.

Both appraisers developed the sales comparison approach to value. After reviewing the appraisals and considering the testimony provided by both appraisers, the Board finds that Loman's conclusion of value under the sales comparison approach is better supported. The Board finds that Loman provided a better description of the sales he used in his report such as age of the comparables, number of buildings, ceiling heights, office area and construction. This additional data and more complete descriptions provide the Board with a better understanding of the physical characteristics of the comparables which in turn leads to a better understanding and confidence in Loman's analysis. The Board recognizes that the comparables used by Loman had different attributes when compared to the subject such as size and location, but Loman adequately explained his adjustment process to account for these differences. In conclusion, the Board finds that Loman's estimate of value under the sales comparison approach is more credible than the estimate developed by Tade.

In conclusion the Property Tax Appeal Board finds the subject property had a market value of \$1,900,000 as of January 1, 2006. Since market value has been determined the 2006 three year median level of assessments for Madison County of 33.32% shall apply resulting in a total assessment of \$633,080. The Board finds, however, that \$4,180 in assessed value should be deducted from this total to account for the parcel appraised but not appealed resulting in a total assessment for the parcels under appeal of \$628,900.

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.

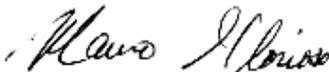


Chairman



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 20, 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.