PROPERTY TAX APPEAL BOARD'S DECISION

APPELLANT: Miller Container Corp.
DOCKET NO.: 06-00660.001-I-2 and 06-00660.002-I-2
PARCEL NO.: See Below

The parties of record before the Property Tax Appeal Board are Miller Container Corp., the appellant, by attorney Ellen G. Berkshire of Verros, Lafakis & Berkshire, P.C. in Chicago and the Rock Island County Board of Review.

The subject property consists of two parcels containing a total of approximately 23.08 acres. The parcels have been improved with two connected industrial buildings of part one-story and part two-story design containing 465,678 total square feet of building area built in 1959 with various additions beginning in 1960 and occurring until 2004. The building is of steel framed construction with insulated steel sandwich panels, clear ceiling heights ranging from 15' to 23' for an average of 18', wet sprinklered, and features 32 dock doors. There are various air-conditioned office areas within the building[1] totaling 16,545 square feet or 3.55% of office build-out. Site improvements of the property include asphalt drives, parking areas, concrete loading docks along with exterior lighting and landscaping. The property is located in Rock Island, Blackhawk Township, Illinois.

The appellant appeared through counsel before the Property Tax Appeal Board arguing that the fair market value of the subject was not accurately reflected in its assessed value. In support of this argument, the appellant submitted an appraisal prepared by Certified General Real Estate Appraiser J. Edward Salisbury of Salisbury & Associates, Inc. estimating the subject property had a market value of $6,100,000 as of January 1, 2006 (Appellant's Ex. 1).

[1] One office is a two-story main office area of 11,442 square feet on the first floor and 2,640 square feet on the second floor and another two-story office area contains a total of 1,214 square feet of building area. There are also several other office areas with a combined total of 1,249 square feet of building area.

(Continued on Next Page)

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

Docket No.	Parcel No.	Land	Impr.	Total
06-00660.001-I-2	11/343-2	77,222	1,167,255	1,244,477
06-00660.002-I-2	11/342-3	90,443	686,620	777,063

Subject only to the State multiplier as applicable.

PTAB/cck/5-12

As its witness, the appellant called J. Edward Salisbury, with over 30 years of appraisal experience. Salisbury noted that in the past 16 or 17 years he has appraised hundreds of industrial properties of which 15 or 20 have been 400,000 square feet or larger in size. Without objection, Salisbury was accepted as an expert witness in this matter.

Salisbury testified that he made an inspection of the subject property on October 11, 2006 during which he interviewed plant personnel, took a tour of the facility making area and ceiling height measurements, and finished with a second interview of staff. Salisbury testified the site had 23.08 acres and was improved with 465,678 square feet of building area for industrial use with warehouse capabilities. Due to the multiple additions that have been made over the years, Salisbury calculated a weighted age of 18 years for the improvement. (Appellant's Ex. 1, p. 28)

Salisbury opined the subject's market value is affected on a national scope. The property is within a predominantly industrial area and the neighborhood is adequate for the industrial use; however, there are no new industries moving into the area as currently industries prefer locations on the edge of the community in an industrial park directly off an interstate. Salisbury was of the opinion the subject's highest and best use as vacant would be for continued use as an industrial site and as improved the subject's highest and best use would be for its current use as a manufacturing warehouse facility. In researching the ownership history of the property, Salisbury found no changes in ownership since 1959. He also estimated in his report that the realistic marketing time for the subject would be at least 12 to 18 months due to the size of the facility which limits the number of potential purchasers. He further testified that in examining sales not only within Illinois, but nationally, he has observed that larger, older industrial properties tend to take a lot longer to market than smaller, newer properties. He described demand for manufacturing space in Rock Island to be on a downward trend like the rest of the country has been over the past ten years based on his work with clients and analyses of the sales data; there is an increase demand for warehouse space.

Salisbury testified that in gathering comparable data for completion of an industrial appraisal assignment such as this one, he has four main criteria: location in terms of major metropolitan area or more rural; interstate access; age; building size along with clear ceiling heights and percentage of office space as primary feature considerations. Salisbury estimated the market value of the subject using the three traditional approaches to value.

Under the cost approach, the appraiser estimated the subject's value as $5,900,000, rounded. To develop the land value, one vacant land sale from December 2005 in Bettendorf, Iowa was used and nine vacant land listings from October 2006 in the Illinois

communities of Rock Island, Milan, East Moline, and the Iowa communities of Davenport and Bettendorf were considered. These properties ranged in size from 2.84 to 114 acres of land area. The one sale was for $396,000 or $18,401 per acre. The listing prices ranged from $56,907 to $500,000 or from $5,002 to $26,923 per acre of land area.

In the appraisal, Salisbury noted the single most important factor affecting industrial land value was location which is then connected to other factors that must be considered. In describing the various land comparables, the appraiser noted the property's location in relationship to an interstate for three of the listings. The appraiser noted a minimal adjustment was made for location; the two smallest comparables were given adjustments for size as were two substantially larger properties, with the remainder having no adjustment for size. No adjustments were deemed necessary for the rights conveyed, financing, conditions of sale, market conditions (date), availability of utilities, zoning or legal encumbrances. Based on adjusted sale and listing prices, the appraiser concluded a market value of $20,000 per acre for the subject land or $460,000, rounded.

Next, the appraiser determined a replacement cost new for the subject improvement of $19,346,343 or $41.54 per square foot of building area utilizing the Marshall Valuation Service and including lump sum adjustments for site improvements such as parking, exterior lighting and landscaping. In terms of physical depreciation, Salisbury noted the subject property had some items of deferred maintenance, but otherwise simply had ordinary wear and tear from the aging process. In testimony, Salisbury opined that rates of depreciation should come from the market, but for industrial properties there are an insufficient number of sales to accurately determine specific percentages of depreciation for each type of depreciation. Therefore, Salisbury concluded it was more accurate to include all forms of depreciation and look at the average depreciation rate per year.

To calculate depreciation, the appraiser applied an extraction method utilizing sales #1, #2, #4 and #7 from his comparable sales approach in the report which were selected due to their known land values and these were the most similar in age to the subject. In the report, Salisbury further noted his market studies of sales of manufacturing/warehouse facilities indicate these properties do not depreciate on a straight line basis; instead, there is rapid depreciation in the first ten years of 4-10% per year which stabilizes during the remaining years. To arrive at the depreciation figure, Salisbury deducted the land value from the sales price for these four sales to arrive at the value contribution of the improvements. He next calculated the replacement cost new for each property and deducted the improvement's contributory value to arrive at the amount of accrued depreciation which was then divided by the replacement cost new to provide a total percentage of depreciation. This figure was then divided by the age of the comparable improvements to provide a percent of depreciation per year. Salisbury

displayed this analysis of the four sales in a chart on page 44 of his report, Appellant's Ex. 1. This analysis resulted in abstracted rates of depreciation of 2.70% to 6.44% per year for properties ranging in age from 15 to 34 years old. From this data, the appraiser found the subject should have a rate of depreciation of 4% per year; with a weighted age of 18 years, the subject has depreciation of 72% from all causes.[2] Deducting depreciation of $13,929,367 from the subject's replacement cost new results in a depreciated value of improvements of $5,416,367 and then adding back the land value of $460,000 results in an estimated market value of the subject under the cost approach of $5,900,000, rounded.

In developing the income approach to value, Salisbury first searched for rent comparables. The size of the subject property, however, created a unique problem in that rarely if ever is such a large property rented to a single tenant. Larger properties like the subject tend to be incubated or divided into smaller units for rental purposes with marketing to multiple tenants. Once the larger property is incubated, Salisbury testified the lease rate typically goes down along with size and along with the age of the property (Transcript p. 22).

With the foregoing in mind, Salisbury selected five rentals and four rental listings from his data bank. The properties were located in Davenport, Iowa and the Illinois communities of Rock Island, Freeport, Danville, Galesburg, Silvis, and Macomb. The comparables were described as industrial or warehouse properties that ranged in size from 17,419 to 500,000 square feet of leased or available space. The properties ranged in age from 15 to 40 years old, had clear ceiling heights ranging from 19.1' to 45', and had office build-outs ranging from zero to 8% of rental area. Their rentals or offerings ranged from $1.00 to $2.55 per square foot. The appraiser made adjustments to the comparables for market conditions (date), location, age, size, office area, and lease terms as reflected in a chart on page 50 of his report. Based on an analysis of this data, Salisbury estimated the subject had a market rent of $1.75 per square foot of building area. The appraiser estimated the subject had a gross potential income of $814,937.

Salisbury assumed a vacancy and credit loss of 10% given the subject's market area for an effective gross income of $733,443. Next the appraiser calculated a management fee along with exterior maintenance, insurance and reserves for replacement given the age and condition of the property of 10% of effective gross income or $73,344 annually. After making these deductions, Salisbury estimated the subject had a net income of $660,099.

[2] While the summary in the report and Salisbury's testimony set forth 66% depreciation, the actual calculation of 4% and an age of 18 years leads to a result of 72% depreciation and all the summary of the mathematical calculations are consistent with depreciation of 72%.

The appraiser then estimated the capitalization rate for the subject from the market to be 11% using actual sales and leases of industrial and warehouse properties located in Illinois, Missouri, Wisconsin, and Iowa. With respect to his selected sales, Salisbury noted that properties in excess of 150,000 square feet of building area are marketed on a national basis. The eleven properties he analyzed provided overall capitalization rates ranging from 9.8% to 21.6%. Salisbury testified that a typical range for the type of property at issue is 11% to 15%. Capitalizing the subject's net income resulted in an estimate of value under the income approach of $6,000,000, rounded.

Next Salisbury developed the sales comparison approach to value. In doing so, he selected eight comparable sales and one listing which were located in Davenport, Iowa and the Illinois communities of Macomb, Centralia, Effingham, Loves Park, Danville, Galesburg, Salem and Kankakee. In his testimony, Salisbury noted that the market for industrial properties of the size of the subject was very weak as of January 2006. In selecting suitable sales comparables, Salisbury considered size a very important factor, location whether metropolitan areas versus other areas, properties with interstate access, and finally properties in smaller communities without interstate access.

The selected comparables ranged in size from 175,251 to 850,000 square feet of building area and ranged in age from 15 to 37 years old. The comparables featured land-to-building ratios ranging from 2.60:1 to 7.05:1, clear ceiling heights ranging from 17' to 40', and office build-outs ranging from .80% to 14.27% of building area. The properties sold from September 2000 to September 2006 for prices ranging from $564,000 to $6,300,000 or from $1.97 to $12.51 per square foot of building area. After making adjustments to the comparables for date of sale, location, land-to-building ratio, conditions of sale, date of sale, size, condition of property, and age, the appraiser was of the opinion the subject had an indicated value under the sales comparison approach of $13.00 per square foot of building area or $6,100,000, rounded.

In reconciling the three approaches to value, Salisbury gave most weight to the sales comparison approach to arrive at an estimate of value of $6,100,000 as of January 1, 2006.

On cross-examination, Salisbury acknowledged that in the cost approach it is preferable to consider sales of land rather than listings. Likewise, in extracting depreciation from the market, the appraiser testified that he has actually appraised the properties considered or researched land sales in order to accurately deduct the land value from the sales prices. In each instance, in the course of extracting depreciation, the land sale deduction on page 44 of his report for the cities of Macomb, Centralia, Effingham and Galesburg is $10,000 per acre.

As to the income approach considered by Salisbury, on cross-examination he noted that leases executed as near to the date of

January 1, 2006 as possible would be preferable for consideration. The questioning thus noted leases had various terms predating January 1, 2006 by a number of years. Also, listings of rental properties would reflect a higher per square foot value generally than what the actual market rentals would reflect as a listing sets the upper limit of value. Dates of sale closer to January 1, 2006 would also be preferable in determining a capitalization rate as noted by the appraiser on cross-examination. Salisbury calculated income using the actual rental listings, except for one property, and there were still deductions for vacancy and miscellaneous expenses to be made from the income figure in some instances.

On redirect examination, Salisbury testified that it would not be appropriate to look at the ongoing business concern of an industrial property to determine its market value for *ad valorem* assessment purposes. Furthermore, the market for industrial properties the size of the subject has been on the decline for the past ten years.

The Board of review presented its "Board of Review Notes on Appeal" wherein the subject's final assessment of the two parcels totaling $4,146,313 was disclosed. Based on the subject's assessment and utilizing the 2006 three-year median level of assessments for Rock Island County of 33.14%, the subject property has an estimated fair market value of $12,511,505.

In support of the subject's assessment, the board of review submitted an appraisal prepared by real estate appraiser Kevin M. Pollard of Roy R. Fisher, Inc. estimating the subject property had a market value of $8,500,000 as of January 1, 2006.

When the board of review filed the appraisal with the Property Tax Appeal Board, it also submitted a cover letter conceding that this appraisal justifies a reduction in the assessment of the subject property. Based upon the appraisal's opinion of fair market value, the board of review proposed to stipulate to a 2006 assessment totaling $2,833,051 which would be equivalent to an estimated fair market value of $8,548,736 based on Rock Island County's 2006 three-year median level of assessments of 33.14%. Appellant rejected the proposed stipulation and the matter proceeded to hearing.

The board of review called as its witness real estate appraiser Kevin M. Pollard with 29 years of appraisal experience. Pollard testified that he holds the Member of the Appraisal Institute (MAI) designation along with being active in the Appraisal Institute and is certified in both Illinois and Iowa as a general real estate appraiser. He further testified to having performed several hundred industrial property appraisals in his career. Without objection, Pollard was accepted as an expert witness in this matter.

Pollard testified that he inspected the subject property on June 25, 2007 accompanied by a plant employee. His report, the

appraisal he prepared concerning the subject property, further notes that he researched public records to determine ownership and other pertinent information, gathered cost, market and income data, and developed the instant appraisal utilizing the three approaches to value and reconciled those approaches to arrive at a final estimate of market value. His report includes both exterior and interior photographs of the subject property.

Pollard found no evidence of any sales of the subject property within the prior three years. Given information in Pollard's database and information gathered for this report, he estimated an exposure and marketing time of 2 years for the subject property.

In testimony, Pollard indicated the physical details of the property were "pretty much similar to what Mr. Salisbury described." (Transcript, p. 59) Unlike Salisbury, Pollard reports two industrial buildings of part one-story and part two-story design and an estimated building area square footage of 445,740 square feet, excluding a 2,013 square foot connection between the buildings. On page 6 of his report, Pollard indicates he was not able to obtain plans for either building and thus relied upon construction information from various sources along with his personal observations during the inspection. He noted clear ceiling heights ranging from 10' to 30' and 2,880 square feet of office area. Pollard found the street and interstate access to the subject property was a positive feature; no detrimental influences were noted in the neighborhood.

Pollard was of the opinion the subject's highest and best use of the land as vacant was for an industrial use and the highest and best use of the property as improved was its current use as a fabrication and warehouse facility.

Pollard first analyzed the property using the cost approach to value wherein he estimated the subject's value as $8,685,000, rounded. To develop the land value, four vacant land sales occurring between August 2004 and March 2006 in the "Quad Cities" of Milan and Rock Island, Illinois and Davenport and Bettendorf, Iowa were considered. The properties ranged in size from 3.199 to 15.75 acres of land area and sold for prices ranging from $175,000 to $535,000 or from $27,000 to $54,705 per acre. As depicted on a chart preceding page 8-A of his report, Pollard made no adjustments for financing or date of sale, but did make adjustments for location, topography/shape, size, and access of the comparables resulting in adjusted sale prices ranging from $27,000 to $27,992 per acre. Thus, Pollard concluded a market value range of $623,160 to $646,055 for the subject such that he estimated a land value for the subject of $635,000, rounded.

Pollard next estimated the replacement cost new of the improvements utilizing the Marshall & Swift "Estimator" Service for each of the buildings with a total building area of 442,860 square feet of which 2,880 square feet was finished office areas plus an addition for a 2,013 square foot connector along with 33

dock doors and miscellaneous paving and landscaping. Replacement of the east building and site improvements was estimated to be $8,144,942 or $41.07 per square foot of building area which included soft costs "(architect's fees, profit, interest, contingencies, etc.)." The west building replacement cost including the connecting building was estimated to be $8,694,337 or $35.55 per square foot of building area.

The appraiser used the age/life method to calculate physical depreciation. In this regard, given the original construction date of 1959 and various additions including a recent substantial addition, Pollard estimated an effective age of 25 years for the subject property and with Marshall & Swift Life Expectancy Tables indicating a total life of 40 years, he estimated 62.5% for physical depreciation of the east building. Similarly for the west building constructed in 1977 with subsequent additions, he estimated an effective age of 8 years and a total life of 40 years resulting in a 20% deduction for physical depreciation of this structure. Given some low ceiling heights and layout issues, Pollard estimated a 20% deduction for functional obsolescence of the east building and a 5% deduction for functional obsolescence of the west building. For each building he estimated an additional 10% deduction for external obsolescence. Thus, Pollard concluded a depreciated replacement cost new for the east building of $2,138,048 and for the west building of $5,912,149; adding the estimated land value of $635,000 to these figures, the appraiser concluded an estimate of the market value of the subject property under the cost approach of $8,685,000, rounded.

Next, Pollard developed the sales comparison approach utilizing six comparable sales located in the region. The comparables were located in the Illinois communities of Peoria and Milan, and the Iowa communities of Mount Pleasant, Cedar Rapids, and Davenport. The comparables ranged in size from 102,100 to 252,000 square feet of building area which sold from April 2002 to March 2007 for prices ranging from $1,575,000 to $7,000,000 or from $11.41 to $27.78 per square foot of building area. Pollard reported that all but one of the sales were reported to be cash or conventionally financed transactions, thus he made no adjustment for financing as Sale #4, a contract purchase, was paid off within two months. In his report, Pollard opined that values of industrial properties in the Quad City area have generally increased since 2002, but larger properties tend to be more affected by location and utility to a potential buyer. In light of these factors, Pollard made a time adjustment to Sale #6 only. After making further adjustments to the comparables for location, age/condition, quality, size, and land-to-building ratio, the appraiser was of the opinion the comparables had adjusted sales prices ranging from $13.12 to $21.67 per square foot of building area. As to Sale #5, the appraiser testified that he appraised this property and gave it less weight in his analysis due to some environmental issues associated with the property. Based on his analysis of the data, Pollard estimated the subject had an indicated value under the sales comparison

approach of $19.00 per square foot of building area or $8,470,000, rounded.

In developing the income approach to value the appraiser used five comparable leases located in the Quad City area. The rental comparables were primarily warehouses that ranged in size from 69,552 to 248,564 square feet of building area. Their rents ranged from $1.86 to $2.66 per square foot. The appraiser estimated the subject had a market rent of $2.20 per square foot of building area. Thus, the appraiser estimated the subject had a gross income of $980,628.

Pollard next stated in his report that based on interviews with local brokers, the subject would have a vacancy rate ranging from 5% to 15%; Pollard selected an allowance of 5% for vacancy. The appraiser reported management fees range from 2% to 5% depending on the type of property and number of tenants. Since this is an owner occupied property, Pollard selected a 3% allowance for management and calculated a reserve for replacements of $0.15 per square foot of building area of $66,861. After accounting for these deductions, Pollard estimated the subject had a net income of $836,788.

The appraiser then estimated the capitalization rate for the subject to be 9.85% using a market extraction method from his Sale #3 which established a capitalization rate of 9.84%. Capitalizing the subject's net income resulted in an estimate of value under the income approach of $8,500,000, rounded.

In reconciling the three approaches to value, Pollard gave primary weight to the sales comparison approach, but since the cost and income approach conclusions reflected slightly higher values, Pollard rounded the final value conclusion from the sales comparison approach upward slightly. In the end, Pollard estimated a market value for the subject property of $8,500,000 as of January 1, 2006.

Based on its appraisal evidence, the board of review requested a finding of $8,500,000 as the fair market value of the subject as of the assessment date.

On cross-examination, Pollard acknowledged that the two connected buildings making up the subject property operate as a single unit and was valued together for appraisal, other than the individual calculations made in the cost approach analysis. Pollard did not agree that there has been declining economic growth in the industrial market in the area; while over the past ten years there has been a slight increase in vacancies of some types of properties, that has not been true in the industrial market in the Quad Cities area. Pollard agreed that larger improved industrial properties like the subject are more affected by national or regional trends in the market.

In terms of the structures, the east building would be described as having been constructed in piecemeal fashion with eight

various additions, but that was not true for the west building with only three additions.

As to the cost approach, on cross-examination Pollard testified that the land sales data confirm that as the land size increases, the price per acre decreases. However, because he made adjustments to the sale prices, Pollard would not acknowledge that since the subject land was larger than all of his land sale comparables, the estimated price per acre of the subject should be less than the lowest sale price per acre of $27,000.

In Pollard's sales comparison approach, he acknowledged that three of his six sales occurred after the effective date of value of the report. Moreover, Sale #1 which occurred in March 2007 was a property about one-quarter the size of the subject and was a leased fee sale with adjustments of 15% each made for location and size. Sale #2, also occurring after the date of valuation, was about 40% the size of the subject property and had been vacant and on the market for two years prior to sale. Sale #3 which occurred after the date of valuation was about one-quarter the size of the subject and was purchased by the tenant of the property. Sale #4, a structure a little more than half the size of the subject, was purchased on contract and was not marketed.[3] Sale #6 was admittedly about one-quarter the size of the subject property for which the property was given a 15% downward adjustment and because the sale did not include the land which was leased from the airport authority, Pollard made a 15% upward adjustment for this factor. In reviewing the adjustments made to the sales comparables, Pollard admitted on cross-examination that overall his age/condition adjustments were generally greater than his size adjustments even though all of the comparables were roughly one-quarter to one-half the building size of the subject property.

On cross-examination concerning his income approach to value, Pollard acknowledged that Lease #1 was a multi-tenant property and the leased area of 69,552 square feet is significantly smaller than the subject property. Likewise Lease #2 was slightly more than one-quarter the size of the subject; Lease #3 was about 60% the size of the subject and a multi-tenant property; Lease #4 was about one-quarter the size of the subject and marketed for about 3 years with the lessor having made substantial repairs to the property; and Lease #5, a warehouse building, was about one-third the size of the subject. Pollard further acknowledged that as a general proposition, the largest lease comparable indicates the lowest rental rate and the smallest lease comparable is nearly the highest rental rate. As to the market extracted capitalization rate from Sale #3, Pollard reiterated on cross-examination that this was the sale purchased by the tenant/lessee.

[3] In the addenda, Pollard noted Sale #4 "was not formally marketed." In testimony on cross-examination, he said it was "marketed" in that a woman was getting a divorce; it had been on the market for probably six to eight months. (Transcript p. 71)

After hearing the testimony and reviewing the record, the Property Tax Appeal Board finds that it has jurisdiction over the parties and the subject matter of this appeal. The Board finds that 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 $6,100,000, as of January 1, 2006. The Rock Island County Board of Review submitted an appraisal estimating the subject property had a market value of $8,500,000 as of January 1, 2006. The two parcels under appeal have assessments totaling $4,146,313 reflecting a market value of $12,511,505 using the 2006 three-year median level of assessments for Rock Island County of 33.14%. The Property Tax Appeal Board further recognizes that the Rock Island County Board of Review proposed to stipulate to a lower total assessment of $2,833,051 reflecting a market value of $8,548,736 based on the three-year median level of assessments. In summary, the Property Tax Appeal 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, office areas, and ceiling heights associated with the subject property. Salisbury testified he measured the building improvements and ceiling heights. While Pollard's report has substantial differences from the building details provided by Salisbury, when testifying Pollard did not discuss those differences and characterized the physical details as "pretty similar" to those set forth by Salisbury. In light of the testimony, the Board finds Pollard understated the size of the subject improvements and misstated the size of the total office area of the subject. Based on this record, the Board finds that Salisbury's estimate of size of the building improvements, office areas and ceiling heights is the better supported of the two conclusions.

Of the two appraisals, the Board finds the appraisal and testimony provided by Salisbury is better supported and more credible than Pollard's appraisal and testimony. Both appraisers developed all three of the traditional approaches to value in developing their respective estimates of market value. Although the cost approach is given less weight than either the sales comparison approach or the income approach by both appraisers, this method does act as a check on the validity of the other two approaches to value. In performing the cost approach, while it is troubling that Salisbury found only one vacant land sale to consider and otherwise used listings, the Board finds it more

troubling that Pollard's comparable vacant land sales were all nearly half the size or even smaller than the subject property. In adjusting for these size differences in vacant land sales, but for one property, Pollard adjusted by only 5% without an adequate explanation. In contrast, Salisbury provided testimony as to his adjustments for size at both ends of the spectrum of larger and smaller properties, with the majority of his comparables being similar in size and requiring no size adjustment. As to the calculation of replacement cost new, since Pollard significantly underreported both the building size and the total office area of the subject property, his estimated replacement cost new differed substantially from that of Salisbury. The Board finds that having found Salisbury's size determinations to be more credible, the Board likewise finds Salisbury's replacement cost new estimates to be more credible than those offered by Pollard. Lastly, as to a final value conclusion, the Board finds that the inclusion of well-supported cost approach in an appraisal does buttress the overall value conclusion developed by Salisbury and adds to the credibility and reliability of his conclusion of value.

With respect to the income approach to value developed by Salisbury and Pollard, both appraisers disagreed on the estimated market rent of the subject property with Salisbury concluding $1.75 per square foot and Pollard concluding $2.20 per square foot of building area. Besides the differences in the baseline building size of the subject property, Pollard analyzed leases of properties that were significantly smaller than the subject property while Salisbury had six lease comparables of 200,000 or more square feet that were more similar to the subject's 465,678 square feet of building area. Moreover, in analyzing the differences among the leased properties, the Board notes that Pollard apparently did not consider adjustments for office area and/or ceiling height whereas Salisbury considered adjustments for these differences. As to expenses to be deducted, the appraisers again differed with Salisbury assuming a 10% deduction from potential gross income for vacancy and Pollard assuming a 5% deduction from potential gross income for vacancy. The appraisers differed significantly with respect to the vacancy rate to be applied to the subject property. Pollard's estimate of vacancy was simply stated as two sentences in his appraisal referencing "local brokers" and the fact that this owner-occupied property was recently expanded. Similarly, Salisbury's appraisal had one paragraph devoted to vacancy and credit loss with a summary statement that a 10% vacancy and credit loss was "reasonable" in the subject's market area. 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. The Board finds, however, that Salisbury's testimony with respect to his research of the industrial market not only regionally but nationally lends more credibility to his estimate of the vacancy rate. Likewise, the management expense deduction estimated by Salisbury was 10% whereas for Pollard it was 3%. Pollard also took a separate deduction for reserves for replacements of $0.15 per square foot

or $66,861. The appraisers were slightly different on the capitalization rate to be applied to the net income with Salisbury at 11% and Pollard at 9.85%, although Pollard's estimate relied on market extraction from one sale only. The Board finds this method of determining a capitalization rate from one property alone is not a reliable method to arrive at a capitalization rate with no cross-check on the calculation. The Board further notes that both appraisers agreed the subject would have a substantial marketing period with Salisbury estimating 12 to 18 months and Pollard estimating 2 years. These estimates of exposure time and marketing period tend to support Salisbury's conclusion that the appropriate vacancy rate applicable to the subject property as of January 1, 2006 was 10%. Based on this analysis the Board finds Salisbury'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 Salisbury's conclusion of value under the sales comparison approach is better supported. The Board finds that Salisbury 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 Salisbury's analysis. Only by reviewing the addendum in Pollard's report could the Board find the office area, ceiling height and land-to-building ratio data of the comparable sales and, more importantly, the adjustment analysis did not consider either office area or ceiling height. Furthermore, as pointed out during cross-examination, half of the sales analyzed by Pollard in his sales comparison approach were dated significantly after the date of valuation of January 1, 2006. While the Board recognizes that the comparables used by Salisbury had different attributes when compared to the subject such as size and location, the Board finds that Salisbury adequately explained his adjustment process to account for these differences and these properties were more similar in size and other attributes to the subject than the comparable sales selected by Pollard. In conclusion, the Board finds that Salisbury's estimate of value under the sales comparison approach is more credible than the estimate developed by Pollard.

In conclusion the Property Tax Appeal Board finds the subject property had a market value of $6,100,000 as of January 1, 2006. Since market value has been determined the 2006 three-year median level of assessments for Rock Island County of 33.14% shall apply.

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: May 27, 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.