



**FINAL ADMINISTRATIVE DECISION
ILLINOIS PROPERTY TAX APPEAL BOARD**

APPELLANT: Belleville Shoe Manufacturing
DOCKET NO.: 06-02259.001-I-3
PARCEL NO.: 08-25.0-303-011

The parties of record before the Property Tax Appeal Board are Belleville Shoe Manufacturing, the appellant, by attorney Clark R. Mills of the Mills Law Office, Springfield; and the St. Clair County Board of Review.

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

LAND: \$84,958
IMPR.: \$881,709
TOTAL: \$966,667

Subject only to the State multiplier as applicable.

ANALYSIS

The subject property consists of a 16.37 acre parcel improved with a one-story industrial building containing a total building area of 159,751 square feet. The building was constructed in 1985 with an addition in 2002. The subject is a pre-engineered steel framed building over poured concrete footings with six to eight inch concrete floors. The exterior walls are insulated steel sandwich panels. The subject has clear ceiling heights ranging from 15 feet 5 inches to 20 feet 2 inches. There are 7 exterior dock doors and 10,400 square feet of office space. The building is heated, 60% air conditioned and fully sprinklered. The property is located in Belleville, St. Clair County.

The appellant contends overvaluation as the basis of the appeal. In support of this contention the appellant submitted a narrative appraisal prepared by real estate appraiser J. Edward Salisbury of Salisbury & Associates, Inc. Salisbury was called as a witness.

Salisbury made an interior and exterior inspection of the subject property on February 27, 2007. Salisbury was of the opinion the highest and best use of the subject site as vacant was the

present use of the property. The highest and best use of the property as improved was determined to be the continued industrial use. Salisbury developed the three traditional approaches to value in estimating the market value of the subject property.

The first approach to value was the cost approach with the initial step being to estimate the value of the land. In estimating the market value of the land Salisbury used one sale and seven listings. The only land sale was a 3.93 acre parcel located in Belleville that sold in July 2005 for a price of \$113,397 or \$28,854 per acre. The listings were located in the Illinois cities of Belleville, Dupo, Mascoutah and Cahokia. The listings ranged in size from 3.75 to 439 acres with asking prices ranging from \$100,000 to \$10,975,000 or from \$13,250 to \$47,771 per acre. After considering these properties Salisbury was of the opinion the subject parcel had an estimated market value of \$30,000 per acre or a total land value of \$490,000.

Salisbury next estimated the replacement cost new of the improvements using the Marshall Valuation Service. Salisbury estimated the replacement cost new of the building improvements to be \$6,747,642. Salisbury abstracted depreciation using five sales contained in the sales comparison approach to value. His analysis indicated that the newer properties that ranged from 8 to 9 years old had annual rates of depreciation ranging from 6.20% to 8.23%. The two oldest comparables in the depreciation analysis were 22 and 33 years old with annual rates of depreciation of 3.30% and 2.36%, respectively. Salisbury testified that based on the subject building being 16 years old he estimated an annual depreciation rate of 4% for a total depreciation of 64%. Deducting depreciation resulted in a value for the improvements of \$2,429,151. Adding the estimated land value resulted in an estimated market value under the cost approach of \$2,920,000, rounded.

The next approach to value developed by Salisbury was the income approach to value. In estimating market rent the appraiser used five rental comparables and two rental listings. The properties were industrial properties located in the Illinois communities of Freeport, Danville, Galesburg, Rock Island, Macomb and Salem. The comparables ranged in size from 60,000 to 292,892 square feet of building area and in age from 7 to 31 years old. The two listings had asking rents of \$1.00 and \$1.95 per square foot of building area. The five rentals had rents ranging from \$1.30 to \$2.75 per square foot of building area. Based on this data Salisbury estimated the subject property would have an economic rent of \$2.75 per square foot, net, for a potential gross income of \$439,315. The appraiser estimated the subject would suffer from a 10% or \$43,932 vacancy allowance resulting in an effective gross income of \$395,383. Salisbury also estimated that the operating expenses an owner would expect to incur to keep the property occupied were 10% of effective gross income or \$39,845. Deducting expenses from the effective gross income resulted in a net income of \$355,845.

The appraiser next developed an overall capitalization rate to be applied to the subject's net income using information on eleven sales. According to Salisbury these properties had overall rates ranging from 9.8% to 21.6%. He estimated the capitalization rate applicable to the subject property would be 12%. Capitalizing the net income resulted in an estimated value under the income approach of \$2,970,000.

The final approach to value developed by Salisbury was the sales comparison approach. Salisbury testified he could not locate any industrial sales in St. Clair County that he thought were arm's length. The appraiser used seven sales and two listings that were located in the Illinois communities of Rockford, Effingham, Machesney Park, Loves Park, Bourbonnais, Macomb and Vandalia. The comparables ranged in size from 72,000 to 292,892 square feet of building area and ranged in age from 6 to 33 years old. The sales occurred from August 2002 to December 2005 for prices ranging from \$1,200,000 to \$3,495,000 or from \$10.87 to \$19.91 per square foot of building area. The two listings had asking prices of \$2,800,000 and \$2,900,000 or \$9.56 and \$13.78 per square foot of building area, respectively. After considering these properties the appraiser estimated the subject property had an estimated value of \$18.00 per square foot of building area or \$2,880,000.

In reconciling the three approaches to value, Salisbury gave some weight to the cost and income approaches and considerable weight to the sales comparison approach. He ultimately estimated the subject had a market value of \$2,900,000 as of January 1, 2006.

Salisbury was questioned about the sales contained in the board of review information. He testified that he did not use board of review sale #1, located at 3 Amann Court, Belleville, because while investigating the sale he discovered this property was under a long term lease with King Food Products at the time of sale. Salisbury did not use board of review sale #3, located in Millstadt, because this property was under a 25 year lease with DCA Foods at the time it sold in 2005. Salisbury explained this sale involved a sale-lease back, therefore, he did not use the sale. The witness testified he did not use board of review comparable sale #4 located in Mascoutah due to this building having 28,000 square feet of office space and there were four offices spaces being offered for lease at \$9.35 per square foot. As a final point Salisbury testified he had never had an industrial property sell for \$93.00 per square foot of building area, the sales price of board of review comparable #2.

During cross-examination Salisbury also testified that board of review sale #1 did not sell in June 2006 for \$1,500,000 as reported by the board of review. The witness stated this property did sell in January 2008, which was after the time he had finished his appraisal report.

Based on this evidence the appellant requested the subject's total assessment be reduced to \$966,667.

The board of review submitted its "Board of Review Notes on Appeal" wherein its final assessment of the subject property totaling \$1,430,442 was disclosed. The subject's total assessment reflects a market value of approximately \$4,292,000, rounded.

As evidence in support of its contention of the correct assessment of the subject property, the board of review submitted information on four comparable sales located in Belleville, Sauget, Millstadt and Mascoutah, Illinois. The board of review indicated that its sale #1 was a 48,100 square foot industrial building that sold in June 2006 for a price of \$1,500,000 or \$31.18 per square foot of building area. Board of review comparable #2 was described as an industrial building with 32,012 square feet of building area constructed in 1999 that sold in September 2005 for a price of \$3,000,000 or \$93.71 per square foot of building area. Board of review sale #3 was described as a 62,500 square foot industrial building with a 20 foot ceiling height constructed in 1992. This property sold in June 2005 for a price of \$1,240,000 or \$19.84 per square foot of building area. The final comparable was a 73,800 square foot building with 28,800 square feet of office space constructed in 1982. This property sold in March 2005 for a price of \$1,200,000 or \$16.26 per square foot of building area.

The board of review also developed an estimate of annual depreciation using sales #1, #3 and #4. According to the board of review these sales indicated annual rates of depreciation ranging from 1.75% to 2.25%. The board of review was of the opinion the subject should have an annual rate of depreciation of 2.5%, rather than 4% as used by Salisbury, resulting in total depreciation of 40%. The board of review then calculated the subject's estimated value using the cost approach. Using the Illinois Real Property Appraisal Manual, the board of review indicated the subject's replacement cost new was \$5,814,300, depreciation was 40% or \$2,325,700 and the land value was \$25,000 per acre or \$414,000. Using these numbers the board of review indicated the subject has a total value of \$3,902,600. Based on this estimate the board of review requested the subject's assessment be reduced to \$1,300,867.

During the hearing the board of review representative, Patricia Boze, assumed that sale #1 used by the board of review did not actually go through in June 2006.

Under cross-examination Ms. Boze agreed that comparable sale #2 was a truck dealership with service bays. With respect to sale #3, Ms. Boze did not know whether this property was subject to a lease at the time of sale. With respect to sale #1 the witness indicated there was no record of any leases being recorded.

In the board of review's submission it stated that sale #1 was the best comparable. However, at the hearing Ms. Boze agreed this was a contract for sale. The board of review's evidence did include page 1 of 6 of the Contract to Purchase Real Estate associated with comparable #1. Line 20 of the contract to purchase initially had a purchase price of \$1,425,000 that was stricken and inserted was a purchase price of \$1,500,000 followed by the initials of the proposed seller. The buyer's initials did not follow the amended purchase price. Ms. Boze agreed that this contract may have just been an offer to purchase.

After hearing the testimony and considering the evidence, the Property Tax Appeal Board finds that it has jurisdiction over the parties and the subject matter of the appeal. The Board further finds the evidence in the record supports a reduction in the assessment of the subject property.

The appellant contends overvaluation as the basis of the appeal. 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 appellant met this burden of proof and a reduction in the subject's assessment is warranted.

The appellant presented the testimony of an appraiser, Salisbury, and submitted his appraisal wherein he estimated the subject property had a market value of \$2,900,000 as of January 1, 2006. The appraiser developed the three traditional approaches to value and placed most reliance on the sales comparison approach. The appraisal contained a detailed development and analysis of the three approaches to value in arriving at a final estimate of value. The appraisal contained sufficient information on land sales, the development of the cost approach, numerous rental comparables, data to support the development of the capitalization rate and information on industrial comparable sales that lead to a credible estimate of market value. In conclusion, the Board finds that Salisbury provided credible testimony and the report contained a convincing market analysis that led to a reliable estimate of market value as of the assessment date at issue.

In contrast, the board of review provided information on four comparable sales and a cost approach to value. The Board finds the evidence and testimony disclosed that board of review comparable sale #1 did not actually sell in June 2006 as reported in the documentation but actually sold in 2008. Furthermore, Salisbury testified that both board of review comparables #1 and #3 were under long term leases at the time of their sales, which is why he did not consider these properties. The Board finds these long term leases would need to be considered and analyzed to determine their impact on the purchase price. The evidence further disclosed that board of review comparable sale #4 had 28,800 square feet of office area, which was 39% of its building area. This building was significantly smaller than the subject

building and had significantly more office space, which calls into question its comparability to the subject property. As a final point, it was disclosed that comparable sale #2 was being used as a truck dealership with service bays, which is different than the subject's industrial use. The Board finds the comparables submitted by the board of review were not probative or credible in establishing the market value of the subject property.

The Board finds the cost approach prepared by the board of review was not particularly valid or reliable due to the fact that depreciation was abstracted using the previously mentioned sales, which were not representative of the subject property. As a result the Board finds the cost approach prepared by the board of review not to be persuasive in establishing a an estimate of market value for the subject property.

In conclusion, the Property Tax Appeal Board finds the best and most credible evidence of market value in this record was provided by appellant in the form of the appraisal and testimony of real estate appraiser Salisbury. Based on this record the Board finds the appellant demonstrated by a preponderance of the evidence that the subject property had a market value of \$2,900,000 as of January 1, 2006. The Board finds a reduction in the subject's assessment commensurate with the appellant's request is appropriate.

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.

Ronald R. Guit

Chairman

Member

Mario M. Louie

Member

Member

William R. Lerbis

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: September 24, 2010

Allen Castrovillari

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.