FINAL ADMINISTRATIVE DECISION
ILLINOIS PROPERTY TAX APPEAL BOARD

APPELLANT: Citation Corporation
DOCKET NO.: 06-22276.001-I-3 through 06-22276.004-I-3
PARCEL NO.: See Below

The parties of record before the Property Tax Appeal Board are Citation Corporation, the appellant(s), by attorney Timothy J. Hammersmith, of Masuda, Funai, Eifert & Mitchell, Ltd. in Chicago; the Cook County Board of Review by Cook County Assistant State's Attorney Aaron Bilton; and School District #219 and School District #71, the intervenors, by attorney John M. Izzo of Sraga Hauser, LLC in Flossmoor.

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:

DOCKET NO	PARCEL NUMBER	LAND	IMPRVMT	TOTAL
06-22276.001-I-3	10-29-101-011-0000	592,590	940,037	$1,532,627
06-22276.002-I-3	10-29-101-006-0000	16,661	1,479	$18,140
06-22276.003-I-3	10-29-101-007-0000	74,177	180,154	$254,331
06-22276.004-I-3	10-29-208-023-0000	133,798	15,890	$149,688

Subject only to the State multiplier as applicable.

ANALYSIS

The subject property consists of four parcels of land totaling 543,376 square feet and improved with seven buildings. These buildings are one-story, one with a mezzanine, masonry and steel, industrial buildings that have an average age of 59 years and a gross square footage of 260,000 square feet of building area.

The appellant, through counsel, appeared before the Property Tax Appeal Board arguing that the fair market value of the subject is not accurately reflected in its assessed value. In support of this argument, the appellant submitted a complete appraisal with valuation date of January 1, 2005 authored by Gary DeClark of Integra Realty Resources.

The appellant's first witness was Charles Hoffman, Jr. who testified he has been employed by the appellant for almost 37 years and is currently the president. Mr. Hoffman described the products that are produced at the subject property. The appellant then submitted *Appellant's Exhibit #1*, a copy of the subject's Plat of Survey and *Appellant's Exhibit #2*, a copy of the subject's floor plan.

Photographs of the subject property were admitted into evidence and marked as *Appellant's Group Exhibit #3* through *Appellant's Group Exhibit #9*. Mr. Hoffman then described what each exhibit depicted on the subject property. He testified to the use of the equipment and the operations of the appellant.

Mr. Hoffman then testified about a pump and treat building. He testified that in the 1950s and 1960s the company bought metal and cleaned this metal with solution that was determined to be a carcinogenic. In 1995, as part of a Phase one and phase two environmental study, this process was remediated with a pump and treat system. The appellant then submitted into evidence *Appellant's Exhibit #11*, copies of several pages of calculations and an affidavit from Mr. Hoffman stating that environmental remediation was conducted on the subject property in 1995 at a cost of $530,000.00.

On cross examination, Mr. Hoffman testified the subject is currently functioning as a factory. He stated the factory makes specialized metals by mixing and melting the different materials in one of 15 furnaces.

Mr. Hoffman then testified to the transfer of the company from Castwell Products to Citation Corporation. He testified that in July 1995 Citation made a stock purchase of Castwell, but that the product did not change. Mr. Hoffman clarified that Citation Corporation owned the property in 2005 and 2006, but that Castwell Products was the name used by the company.

In redirect, Mr. Hoffman testified that the contaminated ground water flows to the adjacent property to the north and that this property filed a lawsuit for the removal of any contaminants.

The appellant's next witness was Gary DeClark. Mr. DeClark testified he is a real estate appraiser employed by Integra Realty Resources in Chicago since its founding in 1999. The parties stipulated to Mr. DeClark's credentials and his expertise as an appraiser. Therefore, the PTAB accepted Mr. DeClark as an expert witness in property valuation.

DeClark testified he prepared the appraisal for the subject property with a valuation date of January 1, 2005 with the assistance of another staff member. He described the beginning stages of the appraisal process and testified that he reviewed the plat of survey and a building layout for the subject. DeClark testified he reviewed documents in regards to environmental issues on the subject property.

DeClark testified he inspected the subject in early January 2006. He testified that the exterior of the building is a series of interconnected and separate industrial complex type buildings varying in age, layout, and physical attributes. DeClark estimated the buildings to contain approximately 260,000 square feet. He testified that the functional layout of the subject's buildings would have some difficulties in the market. He opined that the property was constructed for the specific use of the foundry operations that the appellant conducts. As to the quality of the buildings, DeClark opined they were sub-average.

DeClark opined that the subject’s highest and best use as vacant would be for industrial use. He testified that in determining a highest and best use as improved, he examined the market to establish what value the buildings contributed to the land, if any. DeClark opined that the highest and best use as improved would be demolition of the existing improvements and redevelopment of the property for industrial use. He testified he analyzed the value of the entire property inclusive of the buildings and valued the land alone and concluded the land as vacant had a greater value than the land with improvements.

DeClark testified that, because he opined a value for the land only as greater, he made a deduction to the land value for the demolition costs. He testified he used a cost analysis to establish a demolition cost of $1,110,000 for the subject. DeClark testified he did not make any deductions for environmental issues because he did not assume any in the appraisal.

DeClark testified he analyzed four sales in estimating a land value for the subject. He testified these four properties are similar in location. He opined that other factors, such as size, and physical attributes, are also important and adjustments are made to all the factors as is customary in appraisal practice.

The four properties sold between June 2000 and March 2005 for prices ranging from $1,765,000 to $12,350,000 or from $7.05 to $21.76 per square foot of land. DeClark testified that sales comparables #2 and #3 were purchased and the improvements were demolished. He testified he made an adjustment to the purchase prices due to the added cost of demolition. The appraisal indicates demolition costs for comparable #2 estimated at $400,000, or $2.00 per square foot of building area, and comparable #3 estimated at $615,000, or $1.50 per square foot of building area.

To arrive at the demolition costs for the subject, DeClark testified he took the $1,100,000 demolition costs and divided that by the subject improvement's size of 260,000 square feet to arrive at a demolition cost of $4.27 per square foot of building area.

The appraisal indicates the comparables' adjusted sale prices range from $7.58 to $14.04 per square foot of land. The appraisal places primary reliance on comparable #3 because of its similar location and size to estimate a land value for the subject at $5,430,000, rounded. The demolition costs of $1,100,000 are then subtracted from this value to arrive at an overall market value for the subject at $4,320,000.

Under cross examination by the county, DeClark testified that he rounded the square footage for the improvements because he was given several different size calculations for different sources. He stated they ranged from 254,282 to 261,452 square feet of building area.

DeClark testified he did not perform an income approach to value because it was not conducive to the property which is an owner-occupied foundry. He also testified that a cost approach was not done because of the age and the add-on style of the improvements. DeClark then stated that those approaches were irrelevant because of the highest and best use analysis.

DeClark testified he did perform a sales comparison approach to value in determining the subject's highest and best use. He testified that he did not make adjustments to these comparables for that analysis. DeClark acknowledged that the sales comparables analyzed in the highest and best use analysis were located in the southern portion of Cook County while the subject is located in the northern portion. In addition, he acknowledged that sale #1 was part of a bulk purchase that included personal property and that the purchase price was allocated.

DeClark testified he valued the pond to the extent that it exists on the parcel. He also testified he did not include the furnaces, but did include the craneways in his analysis. He indicated it is not specifically addressed in the appraisal, but analyzed as it contributes to the overall value.

In regards to questions concerning the land sizes of the comparables in the sales comparison approach to value, DeClark testified that sales #1 and #3 were larger in size while sale #4 was smaller. He testified that for sales #2 and #3, adjustments were made for the demolition costs to these properties. He acknowledged that the costs for the demolitions were born by the buyers after the sales occurred.

DeClark testified that demolition costs must be borne by either the buyer who would require a lower purchase price or the seller who would be required to deliver the site at market standards for a vacant lot. He opined that for sales #2 and #3 the buyer paid a reduced price for the property as it was and then pay an additional cost to demolish the improvement.

Under cross examination by the intervenor, DeClark testified that if a seller demolishes the improvement prior to selling, that would increase the sales price because the seller would deliver a

vacant parcel. DeClark testified that the demolition costs for the comparable properties were provided by a participant to the transactions.

On re-direct, DeClark testified that he adjusted the sales prices of comparables #2 and #3 upward to account for the lower purchase prices due to the demolition of the properties. He opined that this placed the properties on an even level with the subject. He then subtracted the demolition costs on the estimated value for the subject to deliver a vacant site. He opined, again, that a buyer would pay less for a property that required the demolition of an improvement than for a vacant lot.

In regards to questions by the hearing officer, DeClark testified that the *Appraisal of Real Estate, 12 Edition*, states that the cost to convert property into vacant land may be a penalty and deducted from the value of the land.

The board of review submitted its "Board of Review Notes on Appeal" wherein the subject's total assessment of $1,954,786 was disclosed. This assessment reflects a fair market value of $5,429,961 when the Cook County Real Property Assessment Classification Ordinance level of assessments of 36% for Class 5B industrial property is applied. In support of this market value, the notes included raw sales information on eight properties suggested as comparable to the subject. These properties range in size from 206,000 to 295,000 square feet of rentable area. They sold between December 2003 and September 2006 for prices ranging from $6,700,000 to $10,000,000 or from $28.32 to $42.75 per square foot of building area, including land.

In addition, the board's memo summarizes statements made by the appraiser in the appellant's appraisal. The memo notes that the appraisal used the cost estimates to estimate a demolition cost for the subject of $4.27 per square foot of building area, but that the actual demolition costs for the suggested comparables was $1.50 and $2.00 per square foot of building area. The board of review's memo argues that there is contributory value in the building. At the hearing, the board of review did not call any witnesses and rested its case upon its written evidence submissions. As a result of its analysis, the board requested confirmation of the subject's assessments.

In support of the intervenors' position, the intervenors submitted a summary appraisal of the subject prepared by Brian Aronson with Aronson and Associates. The appraisal utilized the sales comparison approach to value to estimate the value of the subject property at $5,705,000 as of January 1, 2005. As a result of its analysis, the intervenors requested confirmation of the subject's assessments.

The intervenors witness was Aronson. Aronson testified he is employed by Aronson and Associates. The parties stipulated to his credentials and his expertise as an appraiser. Therefore, the

PTAB accepted Mr. Aronson as an expert witness in property valuation.

Aronson testified he prepared the summary appraisal, marked as Intervenors' Exhibit #1, for the subject property with a valuation date of January 1, 2005. He testified he made a partial exterior inspection several times. Aronson testified his estimate of value for the subject for 2006 would be similar. Aronson then described the subject and its area, including the Chicago metropolitan area.

Aronson testified that one parcel is zoned as residential, but that he used a hypothetical condition in the appraisal to assume all the zoning was for industrial purposes. He opined that the condition of the buildings varied from poor to average condition.

Aronson opined that the subject’s highest and best use as vacant would be for industrial use. He opined that it was proper appraisal methodology to use land sales that had the same highest and best use. As to highest and best use as improved, Aronson testified he analyzed the existing improvements and interviewed brokers in the marketplace and concluded the value of the site as currently improved with the existing buildings was worth less than the land. He opined that the subject was in a developed industrial area where few sites are available for development and that obsolete industrial buildings are being torn down for redevelopment. Therefore, the appraisal concluded the highest and best use as improved was for industrial redevelopment.

Aronson then testified he utilized the sales comparison approach to value the land. Aronson analyzed four sales and described each sale. He testified he verified sales #1, #2 and #4 with a party to the transactions. The properties sold from October 2003 to October 2005 for prices ranging from $2,800,000 to $12,412,500 or from $7.91 to $16.76 per square foot of land. For sales #2, #3 and #4, the sale prices include estimated demolition costs for the improvements.

Aronson testified that sale #1 had nominal site improvements on the land at the time of sale. As to sale #2, Aronson testified that the property was located in the same market as the subject. For sales #2, #3, and #4, Aronson testified the improvements were torn down at the sole cost of the buyer in addition to the price paid to acquire the site.

Aronson opined that in a developed market, such as the subject's, the buyers acquire the site and tear down the improvements at their own cost in addition to the price paid to acquire the site. He testified he made adjustments to the sales comparables for variations in pertinent factors with the subject to estimate a value for the subject as of January 1, 2005 of $5,705,000.

As to demolition costs, Aronson testified that because the buyer paid a price for the land and then, in addition, paid the demolition costs the comparables were adjusted upward to

acknowledge this added cost. He opined that it would not be prudent for an appraiser to deduct the demolition costs from the estimated value of a subject property because the market shows the buyer incurs those costs. Aronson also opined that it is not a market standard for the seller to deliver a vacant parcel to the buyer in a developed area.

Under cross-examination, Aronson was presented with *Appellant's Exhibit #1*, a group of emails to and from the appellant's attorney and Aronson along with a copy of a document entitled general release. Aronson acknowledged he requested information on the subject be provided to him at the inspection of the property. He also acknowledged that an inspection time was set up between himself and the appellant's attorney and that the attorney requested a release be signed prior to inspection. Aronson testified that he canceled the inspection because he was not going to sign the release.

As to the improved sales analyzed for the highest and best use estimation, Aronson testified that sale #3 is located in south Cook County. He testified he did not have any problems looking at sales in south Cook County as part of the analysis due to the subject's large obsolete industrial building.

Aronson reiterated that he did not deduct demolition costs as part of the final conclusion of value. As to land sale #1, Aronson opined that this was the sale of vacant land although there were some nominal site improvements such as surface parking that had no value.

As to the remaining sales, Aronson acknowledged that the actual sale price for sale #2 was $7.05 and not $7.91 per square foot of land as listed on the grid. Aronson testified he made an adjustment upward to account for the demolition costs. Aronson testified sale #3 was an improved parcel. He testified he adjusted this sale upward to account for the demolition costs of the industrial building. He acknowledged the actual sale price was $13.26 per square foot of land. Aronson testified that sale #4 was also an improved property and, again, an upward adjustment was made for the demolition of the industrial building. He testified the unit sale price was $16.20 per square foot of land.

Aronson agreed that he made these adjustments and testified he did so in order to have the properties comparable to vacant land. He testified this was done to compare the subject with properties that were vacant to arrive at an estimated value for the subject as vacant.

In response to a question regarding sales #2, #3 and #4 being sold for less than market because they were not vacant, Aronson testified that this question was a hypothetical one. He opined that the sellers received the amount they received and the buyer paid the price to acquire the land and then paid the cost to demolition the building to create the vacant land. He further

opined that this was the premise of a land valuation in the highest and best use.

On redirect, Aronson testified he made the adjustments to sales #2, #3, and #4 because this reflects the marketplace. He testified that as elements of comparison for a sales comparison approach analysis you're supposed to add demolition costs to create a vacant parcel if you're appraising something that's vacant land. He testified that the unit of value estimated for the subject property was at the lower end of the range for not only the unadjusted range, but also after adjustments were made.

In response to questions by the hearing officer, the appraiser testified that when valuing a property as vacant land, the appraiser needs to value apples to apples, so the comparables need to be made vacant for comparison purposes. He testified that making adjustments to the comparables comes straight from the market where the buyers incur the cost for demolition. He further testified that this methodology can be found in the *Appraisal of Real Estate*.

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 this appeal.

When overvaluation is claimed the appellant has the burden of proving the value of the property by a preponderance of the evidence. (*86 Ill.Admin.Code §1910.63(a)*). 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 concludes that the appellant has not satisfied this burden and that a reduction is not warranted.

In determining the fair market value of the subject property for tax year 2006, the PTAB examined the parties' two appraisal reports and testimony and the board of review's submission.

The PTAB finds the board of review's witness was not present or called as a witness to testify about their qualifications, identify their work, testify about the contents of the evidence or report and their conclusions, or be cross-examined by the appellant and the Property Tax Appeal Board. Without the ability to observe the demeanor of this individual during the course of testimony, the Property Tax Appeal Board gives the evidence from the board of review no weight.

The PTAB finds that both appraisers examined the market to determine a highest and best use as vacant and as improved for the subject. Both appraisers found the highest and best use for the subject as improved to be redevelopment of the subject for industrial use. Both parties looked at sales of properties that were vacant land sales or improved sales where the improvement

was demolished after the purchase. All the sales where demolition occurred had these costs incurred by the buyer.

The appraisers diverge on how to incorporate the demolition costs into developing a value for the subject property. Both appraisers added the estimated demolition costs to the purchase prices of the improved comparables and then estimated the value for the subject property. The appellant's appraiser differs in that DeClark then estimated a demolition cost for the subject improvements and subtracted this cost from his land value to arrive at an overall value for the subject.

The PTAB finds the DeClark's adjustment to the subject property unsupported in both methodology and cost. As to methodology, the appraisal states the demolition costs were applied to the subject to deliver the site at market standard (ie: a vacant parcel of land). However, DeClark failed to show that buyers will not purchases a property unless at market standards. In fact, two of his sales comparables contradict this in that they purchased the property as improved and then bore the costs to demolish. As to the cost of demolition that DeClark estimated, he used estimated values found in a cost manual that gave a range of demolition costs from $4.15 to $4.75 per square foot. However, DeClark had market data from the sales comparables that showed demolition costs at $1.50 and $2.00 per square foot. DeClark testified he was provided with these demolition costs by participants to the transactions. DeClark ignored market costs to estimate a demolition cost more than double what the comparables were indicating. DeClark testified that the *Appraisal of Real Estate, 12th Edition* allows for this deduction to the value based on the cost to convert. However, the PTAB finds the appraiser failed to show conditions in the market that would be a penalty to value of the property without this conversion.

Moreover, the PTAB finds the testimony of the intervenor's appraiser more credible in regards to the demolition costs for the subject. Both appraisers acknowledge the subject is located within a highly developed market. The intervenor's appraiser, Aronson, testified that in developed markets such as the subject, the buyer acquires the site and then tears down the improvements at their own costs, in addition to the price paid to acquire the site. He further testified that it would not be prudent for an appraiser to deduct demolition costs from the estimated value of the subject because the market shows the buyer incurs those costs. In this case, the PTAB finds the sales comparables presented by both parties support this statement.

Therefore, the PTAB will examine the sales from both appraisers after adjustments to the comparables, but prior to the deduction for demolition costs made to the subject property by the DeClark. These properties sold for adjusted prices that ranged from $7.58 to $16.76 per square foot of land. The appellant is currently assessed for a market value of $9.80 per square foot of land which is at the low end of the range established by the comparables. After considering all the evidence including the

experts' testimony and submitted documentation as well as the adjustments necessary, the PTAB finds that the subject's 2006 assessment is supported and that a reduction in the subject's assessment is 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

Acting 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: December 23, 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.