



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

APPELLANT: Ford Motor Company  
DOCKET NO.: 06-31430.001-I-3 through 06-31430.005-I-3  
PARCEL NO.: See Below

The parties of record before the Property Tax Appeal Board are Ford Motor Company, the appellant(s), by attorneys Gregory J. Lafakis and Ellen Bershire of Verros, Lafakis & Berkshire, P.C. in Chicago; the Cook County Board of Review by Cook County Assistant State's Attorney John Coyne; and the intervenors, South Cook County Mosquito Abatement Dist. by attorney Elizabeth Shine Hermes of Odelson & Sterk, Ltd. in Evergreen Park, Chicago Board of Education by attorneys Reginald L. Parks and Tiffany Ferguson of Pugh, Jones, Johnson & Quandt, P.C. in Chicago, and the City of Chicago by attorneys Richard Danaher and Bernard Murphy of City of Chicago Department of Law in Chicago.

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

DOCKET NO	PARCEL NUMBER	LAND	IMPRVMT	TOTAL
06-31430.001-I-3	25-25-401-010-0000	13,448	268,526	\$281,974
06-31430.002-I-3	25-25-401-015-0000	41,759	194,213	\$235,972
06-31430.003-I-3	25-25-401-017-0000	5,198	3,196	\$8,394
06-31430.004-I-3	25-25-402-001-0000	398,271	6,330,246	\$6,728,517
06-31430.005-I-3	25-36-100-018-0000	98,489	90,090	\$188,579

Subject only to the State multiplier as applicable.

**ANALYSIS**

The subject property consists of five parcels of land totaling 95.415 acres improved with an extremely large, manufacturing industrial complex that contains a total of 2,599,463 square feet of building area and has a land to building ratio of 1.60:1. 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 summary appraisal report with a valuation date of January 1, 2006. The appellant presented the testimony of the appraisal's author, Terrence P. McCormick with McCormick & Wagner, LLC., Chicago. Mr. McCormick testified he has been an appraiser since 1979 and has owned his own appraisal firm since 2000. He testified he is a state of Illinois certified general appraiser and holds the MAI designation from the Appraisal Institute. McCormick stated he has appraised over 1,000 industrial properties over his career and over 100 of those were large industrial or manufacturing plants. The Board accepted Mr. McCormick as an expert witness in the valuation of the subject and large industrial properties without objection from the remaining parties.

McCormick testified he inspected the interior and exterior of the subject on October 29 and December 19, 2002 and April 23, 2007. McCormick was shown *Appellant's Exhibit #2*, a copy of the appraisal he prepared with a valuation date of January 1, 2006 for \$15,600,000.

The witness described the subject property and its environs. McCormick testified the subject is located in an older industrial area with vacant land from former industrial properties that have been razed over time plus additional vacant land that has never been developed. McCormick testified he analyzed the assessor's data and the Sidwell maps to arrive at a land size of 95.4 acres.

McCormick described the improvements as extremely large, older, manufacturing building with construction starting in 1924 and additions added as needed. He opined that the average age of the entire complex was 48 years. McCormick stated that approximately 83% of the entire building area is contained within what the appraisal identifies as Building 1 with 2,170,000 square feet of building area and a weighted age of 54 years. He described Building 2 as containing 310,000 square feet of building area, built in 1994 with an addition in 2003, and having a weighted age of nine years. McCormick briefly described several auxiliary buildings and structures that contain a total of 94,000 square feet of building area and an elevated enclosed metal panel tube which contains approximately 27,000 square feet of building area and connects Building 1 to Building 2.

McCormick testified he included the subject's craneways in the valuation of they are classified as real estate and that the overhead cranes were excluded from the valuation as they are considered personal property. McCormick testified that the subject's highest and best use as improved is the continuation of its existing manufacturing use.

To estimate a total market value for the subject of \$15,600,000 as of January 1, 2006, McCormick employed two of the three approaches to value: the cost approach and the sales comparison approach to value. McCormick testified the subject property is owner-occupied and that properties that are the size of the

subject usually are not leased. He opined that the subject's size and design does not lend itself to multi-tenant use. McCormick testified that the omission of the income approach does not affect the estimate of value of the subject property.

The initial step under the cost approach was to estimate the value of the land at \$4,290,000, or \$45,000 per acre. In doing so, McCormick testified he considered five land sales and one offering. The five sales sold between August 2002 and August 2004. They ranged in size from 12.16 to 49.70 acres and in sale prices from \$9,130 to \$135,490 per acre.

McCormick testified he used the Marshall Valuation Service to estimate the reproduction cost new of all the real estate at \$189,864,605. In establishing a rate of depreciation, McCormick testified he analyzed seven sales of properties included in the sales comparison approach. He testified he estimated the subject property's depreciation at 94% to arrive at the depreciated value of the improvements at \$11,391,876. Adding the land value resulted in a final value estimate of \$15,700,000, rounded.

To estimate a value for the subject through the sales comparison approach, McCormick testified he analyzed seven sales. McCormick testified these sales were all owner-occupied properties and the transfer of a fee simple interest. He testified that six of the properties were manufacturing-type properties with sale #3 being a warehouse building. He further testified that all the properties except sale #6 had rail access and adequate access to the interstate highway system.

The comparables range in size from 366,300 to 2,197,775 square feet of building area and in land to building ratio from 1.42:1 to 9.15:1. The comparables sold from January 2003 to December 2005 for adjusted prices ranging from \$1,500,000 to \$14,000,000, or from \$.23 to \$9.04 per square foot of building area, including land. McCormick testified he confirmed the terms and conditions of the sales through individuals involved in the sales. He testified he made adjustments to each sale for building size, location, date of sale, land to building ratio, age, clear ceiling heights, and percentage of office space. He then described the sales and his adjustments.

McCormick testified size has a great impact on marketability of properties and the size of the subject limits the number of owners that can utilize that amount of space. He further testified he used comparables outside the subject's immediate location because of the size of the subject and opined that the market area for the subject would be the entire Midwest region of the country. He opined that there is an extremely limited market for large industrial properties like the subject as indicated by the low unit prices that these properties command on the market.

McCormick testified that, after all adjustments, he concluded a value for subject of \$6.00 per square foot of building area,

including land which reflects an estimated market value under the sales comparison approach of \$15,600,000, rounded.

When reconciling the two approaches to value, McCormick testified considerable emphasis was placed on the sales comparison approach to value while the cost approach was considered, but given less weight. He opined the cost approach is less reliable on an older property like the subject. The final value estimate of value for the subject property as of January 1, 2006 is \$15,600,000.

McCormick testified that there were no changes in the subject property or market conditions for the subject that would significantly alter this opinion of value as of January 1, 2007 or January 1, 2008.

Under cross examination by the City of Chicago, McCormick confirmed the subject is located in the Chicago metropolitan area which has a population size that provides the area with a labor pool that is diverse in skill, talent, education, and expertise. He acknowledged that the Chicago metro area has public transportation and six interstate highway systems which make it a major hub for transportation.

McCormick testified the appraisal includes a description of the area surrounding the subject property and that he did not provide a detailed description of the entire Chicago metro market in the appraisal. He confirmed the subject has rail service. He acknowledged that the appellant uses the rail lines to deliver material and supplies to the subject and to ship out product from the subject. He also acknowledged the subject is on the Calumet River which is a transportation waterway. McCormick gave a brief description of the Chicago Manufacturing Campus located near the subject.

As to the sales used by McCormick, he confirmed that size is one of the most important characteristics in identifying comparables. McCormick then testified that the comparables are smaller than the subject. He agreed that the comparables are not located within the Chicago metro area with the exception of comparable #1 and that these properties do not have the same transportation opportunities as the subject. He testified he identified the six comparables outside the Chicago metro area as inferior to the subject in location.

McCormick agreed that comparable #6 is newer than the subject and was purchased by an investor. He testified the property remained vacant after its purchase and was then resold in 2008 for \$16,750,000.

McCormick confirmed the appraisal indicates that there were other sales of industrial properties in the general area of the subject; they were not included in the appraisal due to their substantially smaller and more marketable size. He testified that one of the comparables is one-fifth the size of the subject, but

stated that the properties he did not include were smaller than the properties he did use as comparables.

As to the cost approach, McCormick acknowledged the land value increased from his 2003 appraisal. In reviewing his land sales, McCormick confirmed that he used a per acre price figure and that converting this to a per square foot figure would have the comparables prices range from \$.21 to \$3.00 per square foot, approximately.

McCormick was questioned in regards to the use of his reproduction cost for the comparables in his depreciation analysis. McCormick competently answered the questions in regards to the range of those values. McCormick acknowledged the 94% depreciation rate he used for the subject was for all depreciation and he did not break out how much was allocated to physical depreciation. He further testified that the physical deterioration could be different for each building, but that the property was well maintained and in average physical condition.

McCormick testified he did not utilize an entrepreneurial profit in the cost approach because the subject is a large, single-user manufacturing building and the market does not call for this extra cost for this type of building. He testified that soft costs are already included within the costs for each component.

Under cross-examination by the board of review, McCormick was shown *Board of Review's Exhibit #2*, a copy of the special warranty deed for improved sale #1. He acknowledged the information on this document is the same information he utilized in the appraisal. McCormick was then shown *Board of Review's Exhibit #3*, a copy of a special warranty deed for a subsequent sale of a portion of sale #1 and *Board of Review's Exhibit #4*, a copy of a special warranty deed for a subsequent sale of another portion of sale #1. McCormick testified he did use these subsequent sales of portions of the property in valuing the subject.

Under cross-examination by the Chicago Board of Education, McCormick confirmed that he used local sales for the land sales. He testified he used land sales that all had the same highest and best use as the subject property. He acknowledged he did not use square footage as a unit of measurement, but used acreage. He opined that larger tracts of land use a price per acre. He further stated that for smaller sites, which are common in the City of Chicago, a common unit of comparison is a price per square foot. He acknowledged that the land sales are all smaller than the subject.

On redirect, McCormick testified he considered the labor pool and other amenities related to the subject property's location when valuing the subject. He opined that there is no market data to show values decrease for these large properties the further away they are from Chicago. He opined this is also true in regards to population and labor force. McCormick testified that for a

smaller town, the type of transportation needed would not be the same as the City of Chicago; if it's adequate for the small town and adequate for the city, they are comparable, but the scale is different.

McCormick testified that for large land sales, properties tend to be marketed by brokers on a per acre basis whereas with improved sales, the price advertised is typically a price per square foot of building area, including land.

The board of review submitted its "Board of Review Notes on Appeal" wherein the subject's total assessment of \$20,209,230 was disclosed. This assessment reflects a fair market value of \$63,105,875 or \$24.28 per square foot of building area, land included, when the various Cook County Real Property Assessment Classification Ordinance level of assessments that are allocated to the subject's parcels.

In support of this market value, the notes included raw sales information on four properties suggested as comparable to the subject. These properties range in size from 1,001,200 to 2,877,165 square feet of building area. They sold between December 2004 and January 2005 with two sale dates unknown for prices ranging from \$19,100,000 to \$68,596,000 or from \$17.36 to \$33.41 per square foot of building area, including land.

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 intervenor, City of Chicago's position, the City of Chicago submitted a summary appraisal of the subject prepared by Michael S. MaRous with MaRous & Company with an effective date of January 1, 2006 and an estimated market value of \$41,000,000. Mr. MaRous testified he has been an appraiser for 32 years and is president of his appraisal company. He stated he is a licensed general real estate appraiser and holds the MAI designation from the Appraisal Institute. He testified he has appraised all types of properties and focuses his practice on the metropolitan Chicago area. He stated he has undertaken over 1,000 appraisals of industrial properties and 50 on major manufacturing properties. The Board accepted Mr. MaRous as an expert witness in industrial and major manufacturing property valuation without objection from the remaining parties.

MaRous testified he inspected the subject on multiple occasions with a full interior inspection on August 27, 2008. He opined the subject's highest and best use as vacant is industrial use and as improved is the continuation of the major industrial use.

MaRous described the subject and the benefit of its location. He opined the subject has the benefit of rail, freight rail access, major road access, relatively close proximity to major interstate systems, water access, and access to a large skilled labor force.

He opined that the skilled labor pool in the Chicago metro area adds value to the subject site as well as the transportation available for this labor pool. He further opined that the tax rate is favorable compared to the suburbs surrounding the subject.

As to the subject's site, MaRous testified the subject is a very large site, but can be split among three pieces as follows: the main parcel has 66 acres, but could be subdivided further; the west parcel has 18.6 acres, but has a poor shape; and the third parcel, or the south parcel which has less than 11 acres. He stated the benefit of the site is that it does not have or need retention areas for storm water detention. MaRous testified the subject has significant road frontage.

As to the improvements, MaRous testified the subject is a mix of old and new. He testified most of the subject is over 50 years old, but has been continually upgraded, maintained and modernized. He further testified Building 2, the body side molding building, is very modern and built in 1995 and 2003. He stated this building has some warehouse characteristics. He opined a useful life of the buildings from 50 to 70 years old.

MaRous used the cost and sales comparison approaches to value to estimate a market value for the subject as of January 1, 2006 of \$41,000,000. MaRous testified that because the subject is owner-occupied and facilities of this type usually are owner-occupied, the income approach was not applicable to valuing the subject.

Under the cost approach to value, MaRous testified he used his experience appraising industrial properties, his involvement in constructing industrial properties, the information provided by the taxpayer, and published manuals such as Marshall Valuation to estimate a reproduction cost of \$60.00 per square foot for the main plant, \$90.00 per square foot for the side molding building, and \$40.00 per square foot for the auxiliary structures. He testified he accounted for hard and soft costs, but did not include entrepreneurial profit because the subject is built for manufacturing and there is a defined user.

As to depreciation, MaRous testified he reviewed the facilities and the various conditional aspects. He considered the age-life of the buildings and the functional issues. He testified he did not use the market-extraction method because some of the buildings are over 50 years old and one building has an effective age of five years. He testified he depreciated the main building by 67% for physical deterioration, 20% for functional obsolescence, and 5% for external obsolescence for a value of \$10,414,459. MaRous testified he depreciated the body side molding building by 10% for physical deterioration, 5% functional and 5% external obsolescence for a total depreciated cost of \$22,246,920. The auxiliary structures were depreciated by a total rate of 87% for a value of \$628,155. All three improvements had a total depreciated value of \$33,289,534. Site improvements of

\$1,000,000 were added to this value. MaRous testified as to how he calculated the category of depreciation.

As to the land value, MaRous testified he analyzed mid-size and larger, industrial sales that had manufacturing zoning. MaRous reviewed nine land sales located in the south Chicago area. The properties ranged in size from 150,282 square feet to 5,111,766 square feet. He testified that some of the properties, although zoned for manufacturing, were bought and redeveloped with either commercial or residential uses and he made major adjustments to these properties. He testified he estimated a land value of \$8,870,000. He broke this value down into three distinct values for the three separate parcels of land that he separated out earlier in testimony. He valued the main parcel of land at \$1.75 per square foot, the west parcel which has the irregular shape at \$3.00 per square foot, and the south parcel at \$3.00 per square foot. The land value was added to the depreciated values of the improvements for a total value under the cost approach of \$43,160,000, rounded.

The next method developed was the sales comparison approach. Under this approach, MaRous testified he searched for major industrial properties in the Chicago metropolitan area and analyzed five sales. He further testified sales #6, #7, and #8 are located in the Chicago metropolitan area, but are more reflective of properties more similar to the body side molding plant. He testified that there is not strong market activity for large manufacturing plants. MaRous opined that the most important characteristics of the subject for comparability were the property rights, then location, benefits of the area such as rail, water and labor pool, quality and functionality of the improvements, age, and size.

MaRous testified to each sale comparable and the adjustments made. Sales #1 through #5 were used to estimate the value of the main plant building. These properties range: in size from 650,000 to 2,877,165 square feet of building area; in land to building ratio from 1.08:1 to 4.00:1; and in age from 34 to 63 years. These properties sold from November 2003 to October 2005 for prices ranging from \$6,500,000 to \$70,234,028 or from \$8.18 to \$24.41 per square foot of building area, including land. MaRous testified that sale #3 was a sale and partial leaseback and a downward adjustment was made for this sale. He also testified this property right transfer impacted the degree of reliance he put on this sale. He testified that sale #5 was located at the far remote end of the Chicago metro area.

Sales #7 through #8, MaRous testified, were analyzed to estimate a value for the body side molding building. These properties are located in the Chicago metro area, are modern, mid-size, industrial facilities. They range: in size from 179,164 to 395,064 square feet; in land to building ratio from 1.87:1 to 3.18:1; and in age from new to two years old. These properties sold from January 2005 to October 2005 for prices ranging from \$9,490,000 to \$22,750,000 or \$39.72 to \$75.03 per square foot of

building area, including land. Again, MaRous testified as to the characteristic of each comparable and the adjustments required. He testified that sale #8 was leased at the time of sale.

MaRous testified that sales #6 through #8 showed that the subject's body side molding building would sell for significantly more than the main building if the body side molding building was sold separately. He testified he stabilized the subject's unit price range at \$15.50 to \$16.00 per square foot of building area, including land for an overall value range of \$40,291,677 to \$41,591,408 or \$41,000,000.

In reconciling the approaches, MaRous testified he gave greater weight to the sales comparison approach to value because it is reflective of the market and concluded a value for the subject property as of January 1, 2006 at \$41,000,000. MaRous testified that there may have been some additions to the subject in 2007 or 2008 that, if there were, would have increased the value.

Under cross-examination by the appellant, MaRous confirmed he appraised the subject as a single industrial facility. He acknowledged he did an alternative analysis which divided and exposed the property on the market as individual properties, but testified his conclusion of value was for a single property. He acknowledged that this extremely large industrial property appeals to a smaller segment of the market, but agreed he wrote in the appraisal multiple times that the property could readily be divided and exposed to the market as three individual properties. He further testified he wrote that the overall property would have an appeal for an alternate user and that later in the appraisal he wrote that the multiple buildings have been developed for a particular user for a specific operation and this can somewhat limit the number of potential users.

MaRous confirmed that his appraisal report is a self-contained report which means the appraisal contains all of the analyses and data to support the conclusions within the report. He acknowledged the appraisal does not contain any costs to separate the parcel into three separate entities. He explained that the report discusses the flexibility of the property, but it does not include any definite plans.

MaRous testified that the highest and best use of the subject as vacant is to market the three parcels as individual parcels or market it as an assemblage for industrial use.

As to the land sales, MaRous acknowledged some of the sales occurred in 2000 which is approximately five to six years before the valuation date. He testified he made adjustments for time. MaRous agreed that two sales with land over 1,000,000 square feet sold for \$1.75 and \$1.24 per square foot, but need upward adjustments for date of sale. He testified that he looked at the land on a gross size and also as individual parcels and arrived at an aggregate value of \$2.13 per square foot.

MaRous agreed the subject suffers from functional obsolescence because of the multiple additions built to the property over the years.

As to the sales comparison approach, MaRous agreed he used two different sets of improved sales to arrive at a value for the subject. He acknowledged that sale #1 was not located in the subject's immediate area and is only about one-third the size of the subject. He acknowledged that sales #3, #4, and #5 are not located in Cook County. He acknowledged that many of the comparables are smaller in size than the subject.

MaRous acknowledged that sale #2 was a multi-tenant facility. He testified that the property had a high vacancy rate and the rent appeared to be at market so only a slight adjustment would be needed for property rights. He agreed that sales #3 and #4 were sale-leaseback transactions. MaRous testified that sale #5 was partially leased at the time of sale.

MaRous reiterated that sales #6 through #8 were included to show the market for the body side molding building only. He acknowledged he did not arrive at a separate value for the body side molding building, but did indicate in the appraisal a likely unit price of \$35.00 to \$45.00 per square foot of building area was reasonable for this building. He acknowledged this is an opinion of value. He earlier testified that the building would have an estimated value of \$40.00 to \$50.00 per square foot of building area. He further testified that both values, the value indicated in the appraisal and the value he testified to, would both be correct.

On redirect, MaRous opined that the subject's land to building ratio is not inferior to suburban sites because of the required setbacks, landscaping, and water retention that many suburban locations have.

MaRous testified he reviewed sales #6, #7, and #8 in valuing the entire subject, but clarified these sales focused on the body side molding as these sales are the most comparable to that building and really not very comparable to the original plant.

In support of the intervenor, Chicago Board of Education's position, the board of education submitted a summary appraisal of the subject prepared by Brian F. Aronson with Aronson and Associates, Chicago. The appraisal has a valuation date of January 1, 2006 and a value estimate of \$42,900,000. The intervenor presented the testimony of Mr. Aronson. The parties stipulated that Mr. Aronson is an expert in industrial property valuation for ad valorem tax purposes and he was accepted as such by the Board.

Aronson was shown *Board of Education Exhibit #1*, a copy of the appraisal he prepared with a valuation date of January 1, 2006 for \$41,900,000. He testified he inspected the interior and exterior of the subject on August 27, 2008.

Aronson testified the subject's highest and best use as vacant would be to remain vacant for future industrial development and highest and best use as improved is its existing industrial structure.

The witness described the geographic area surrounding the subject property. He testified to the extensive industrial area surrounding the subject and the benefits to the subject. Aronson testified that there are three distinct components to the subject and described them as the main parcel, the west parcel which contains the body side building, and the south parcel which is utilized as parking. Aronson then described the improvements located on the property. He testified he used the total building square footage from the main plant, the body side building, the passageways, and the auxiliary buildings to value the subject.

To estimate a total market value for the subject, Aronson employed two of the three approaches to value: the cost approach and the sales comparison approach to value. Aronson testified that as an owner-occupied building and based on the subject's layout and design, the income approach was not germane to valuing the subject.

Under cost approach, Aronson testified the first step is to value the land. He testified he analyzed seven land sales to estimate the value of the land at \$8,105,000, or \$1.95 per square foot. Aronson described each sale. The seven sales sold between February 2000 and December 2003. They ranged in size from 239,580 to 6,969,600 square feet and in sale prices from \$.74 to \$3.33 per square foot. Aronson opined that in the Chicago industrial market, the relevant unit of measurement for land is square foot and not acre.

Aronson testified he used the Marshall Valuation Service to estimate the replacement cost new of all the real estate at \$247,020,461. In establishing a rate of depreciation, Aronson testified he analyzed five sales of properties included in the sales comparison approach. He testified he considered the weighted age of the main building components, the layout and design for each principal improvement and their utility, factors external to the subject, demand for these types of improvements, and analyzed each sale property. Aronson estimated the subject property's depreciation at 86% for a depreciated value of the improvements of \$34,582,864. Site improvements were estimated at \$1,400,000. Adding the land value resulted in a final value estimate of \$44,090,000, rounded.

As to the sales comparison approach, Aronson opined that it is extremely important to consider sales from the local marketplace. He testified he analyzed five sales. Aronson testified he looked to location, the date of sale, size, physical condition, layout and design, property rights conveyed, condition of sale and physical characteristics in comparing the sales to the subject.

Aronson testified to each sale comparable. He testified sale #1 was a multi-building, multi-tenant, industrial facility and was a leased fee sale. He noted this property was 40% vacant at the time of sale and this could have impacted the sale price. Sale #2 was demised for multi-tenant usage at the time of sale. He testified that several factors influenced the price for this sale, including the leased fee transfer; however, the property was only 5% occupied and this had a detrimental impact on the price paid. Aronson testified sale #3 was predominantly owner-occupied at the time of sale and that half the property was leased back to the seller after the sale. He testified sale #4 was a leased fee transfer, but sold subsequently in 2007 with only 15% of the building leased on a month-to month basis. Sale #5, Aronson testified, was a leased fee transfer and after the sale was demised for multi-tenant occupancy.

The comparables range in size from 650,000 to 2,877,165 square feet of building area and in land to building ratio from 1.12:1 to 4.00:1. The comparables sold from November 2003 to October 2005 for prices ranging from \$6,500,000 to \$68,596,000, or from \$7.54 to \$23.84 per square foot of building area, including land. Aronson opined the subject's value would fall in the middle to upper end of the range and he chose an overall value of \$16.50 per square foot of building area, including land. In arriving at this value, he testified he analyzed the elements of comparison. He concluded a value for the subject property under the sales comparison approach of \$42,900,000.

In reconciling the two approaches to value, Aronson testified he considered the strengths and weaknesses of each approach, but most importantly considered the market and determined the market considers the sales comparison approach for this type of property. He gave this approach more weight in concluding a final value estimate of value for the subject property as of January 1, 2006 is \$42,900,000.

The board of education then attempted to question Aronson in regards to *Board of Education's Exhibit #2*, a copy of a map of the sales comparables used in the appellant's appraisal. This exhibit was not presented to the appellant's witness, Terrence McCormick at the appropriate time, during cross examination. However, McCormick was questioned extensively in cross examination on the location of the comparables he utilized. The Board denied the board of education's request to submit this map into evidence through this unrelated witness. This map was taken into evidence for purposes of an offer of proof on appeal only and will not be relied upon by the Board.

Aronson testified that there would be no substantial change in value for the subject property from January 1, 2006 to January 1, 2007.

On cross-examination, Aronson opined that one prospective buyer would be an owner-user, but that a buyer could convert the subject to multi-tenant occupancy. He testified this use would

still be industrial. He opined that the subject's large building size diminishes its market appeal. He acknowledged that the main building and the body side building could be sold separately. He testified he did not include any analysis of the costs incurred for this separation. He testified he believed each building had separate utilities. He opined there would be no impact on the land to building ratio if the parcels were separate.

Aronson acknowledged that many of the sales comparables he used are multi-tenant properties. He agreed that the subject has functional layout and design deficiencies and suffers from external obsolescence. He acknowledged the main building has a cut up plant configuration.

As to the land comparables, Aronson could not recall when land sale #6 actually sold as two different dates were noted in the appraisal. He acknowledged that three, possibly four, sales took place in 2000. Aronson acknowledged that many of the land sales were significantly smaller than the subject. He testified he considered the subject's land as three different parcels based on their physical layout and design and separate parcel identification numbers.

In estimating the replacement cost for the improvements, Aronson testified he used the Marshall Valuation book to arrive at a base cost for the building components and the appraisal reflects the refinements as required to arrive at an estimated cost new. He confirmed he used the market-extraction method to develop the depreciation rate. He testified that if the comparables used for the market extraction method are deemed by someone not to be comparable then there could be a problem with the depreciation rate. He acknowledged he estimated a cost new for the comparables sales from \$60.00 to \$65.00 per square foot of building area. Aronson agreed it was difficult to measure depreciation for an older, owner-occupied industrial complex that was built in stages.

As to the sales comparables, Aronson acknowledged sale #1 consisted of two multi-tenant industrial buildings and was a leased fee transfer. He testified the property was 40% vacant at the time of sale and that was part of the analysis. He acknowledged that sale #2 was also a multi-tenant industrial property. Aronson testified he did not know the lease terms at the time of sale, but that the building was only 5% occupied. He opined that this sale was not the closest sale to a fee simple sale because any property that is 1% leased is a leased fee transfer. Aronson testified sale #3 was a leased fee sale and he did not know the terms of the lease. He confirmed that 50% of the property was leased back to the seller. Aronson referenced two sales for sale #4. He acknowledged the 2003 sale was a leased fee sale and the 2007 sale would technically be a leased fee sale because 15% of the building was leased on a month-to-month basis. He opined that redeveloping industrial properties to multi-tenant was not speculative because it was being done in the market and sale #4 was an example of this. Aronson acknowledged that sale #5

was also a leased fee sale purchased by an investor. He testified he did not know the terms of the lease for this property.

Aronson testified he was unable to find any fee simple sales in the Chicago area. He would not make a statement as to whether sale-leaseback properties are usually exposed for a reasonable time on the open market. He acknowledged that in some instances a sale-leaseback transaction can represent a financing alternative to raise capital and use assets as a financing tool.

Aronson testified he considered selling the body side building separately. He opined that whether this would allow the building to have direct rail service is irrelevant because the rail spur is located between the body side building and the main building.

On redirect, Aronson testified that the biggest factor used in gathering land sale comparables was analyzing local market data. He confirmed he took the sales dates into account in adjusting for value for the land comparables.

As to the improved sales, Aronson testified he considered the occupancy and information available regarding income, if it was available, when analyzing the leased fee property rights. He testified he considered the real estate taxation for the sales located outside of Cook County when deriving a value for the subject. Aronson testified he was not aware of any significant changes in the property that would affect the value of the property as of January 1, 2008.

Aronson opined that for a sale-leaseback purchase, it would be fiscally inappropriate for the buyer to decide to pay more for a property than what it would be worth on the open market and the considerations for whatever the sale-leaseback information would be.

In rebuttal, the appellant called Mr. Gary Battuello. The intervenors and the board of review objected to any Battuello testimony outside the parameters of his written appraisal review for MaRous. Upon due consideration of the parties' positions, the Board denied the motion. However, the Board notes the objecting parties' standing objection. Moreover, the Board ordered appellant's counsel to confine any questions in regards to MaRous's testimony to only those statements which varied from their written appraisal.

Mr. Battuello testified he is the managing partner in a commercial real estate appraisal firm in Minnesota. He stated he is a certified general appraiser in Minnesota, Wisconsin and Illinois and holds the MAI designation from the Appraisal Institute. He admitted he was not licensed in Illinois at the time of his review. Mr. Battuello then testified that prior to the change in Illinois law, non licensed appraisers were allowed to review work for non federally-related transactions. Battuello testified he has been an appraiser for 30 years. He testified he has appraised extremely large commercial and industrial

properties with over 90 appraisals of industrial properties over 1,000,000 in square feet. He noted 20 of those properties would be manufacturing properties. Battuello testified he appraised two automobile assembly plants. He testified he has conducted appraisal reviews on between 50 and 60 appraisals with five or six of those being large industrial properties. Battuello testified he has appeared as an expert at the Illinois Property Tax Appeal Board. He stated he has published articles in property valuation publications. The Board admitted Mr. Battuello as an expert in the field of property valuation of extremely large commercial and industrial facilities, the valuation of extremely large, single-user manufacturing facilities, and as a review appraiser without objection from the remaining parties.

Battuello opined that the outstanding characteristics of the subject are its size and its use as an industrial building. He testified the property is located in an industrial neighborhood, has good highway connectivity, rail access and, to a lesser degree, has water access.

Battuello testified he inspected the exterior of the subject in summer 2012. He opined that the subject would need major modification to facilitate multi-tenancy. He testified that the report he reviewed did not discuss the costs to convert the subject to multi-tenancy.

Battuello agreed that the locational attributes enhance the value of the property. He opined that a property that has similar amenities would also have its value enhanced.

In reviewing the MaRous appraisal, Battuello was shown *Appellant's Exhibit #3*, a copy of his appraisal review report. Even though the MaRous appraisal indicates it is a self-contained appraisal, Battuello testified that a self-contained document is intended to contain all the information that was relied upon in the valuation and explain the various data judgments and conclusions that were reached in the appraisal process. He testified he reviewed the appraisal report, comparing it to market standards.

Battuello testified he agreed with MaRous's conclusion of the highest and best use of the subject as continuation of its present use. He testified that the subject site has a 1.6:1 land to building ratio which is pretty tight. He opined that if the south and west parcels were sold off, the main parcel would have a land to building ratio of 1.25:1 and there would be very little land surrounding the main building to allow for ingress, egress, parking and various other functions that a yard serves for industrial complexes.

Battuello agreed with the approaches to value developed by MaRous. He testified MaRous used standard procedures to provide a set of land sales from the south side of Chicago. Battuello testified that the land value was split between the three parcels and imputed at different values. He reiterated that the appraisal

did not provide any costs associated with splitting the property. He opined that some of the land sales utilized by MaRous were purchased for a different use. He testified they were all zoned industrial, but some of the properties were purchased for residential or self-storage and not industrial use.

Battuello testified that MaRous did not provide the data that was used to develop the cost new estimates for the subject. He opined that even a summary report would have some backup cost information, but certainly a self-contained report should have that information present.

Battuello testified that MaRous imputed three different rates of depreciation for the components of the building. He opined that typically, for an integrated facility, it would be sold and marketed in its entirety and one would expect depreciation to be uniformly applied to all the improvements.

As to the sales comparables, Battuello opined that MaRous's sales #6 through #8 were presented to demonstrate that the body side building could, in fact, have a higher per square foot price. He testified that would not matter if the entire property were being transferred. He testified that the overall value for the property is actually based on sales #1 through #5.

Battuello confirmed sale #1 is a multi-tenant property. He testified it was much smaller than the subject. He testified sale #2 is a third of the size of the subject and is an older industrial facility, similar to the age of the subject's main building. Battuello indicated this property was also multi-tenant.

Battuello agreed sale #3 was a complex transaction. He testified the property was purchased in its entirety from Caterpillar with Caterpillar leaving about half of the building and leasing back the other half. Battuello testified sale #3 was a short-term sale-leaseback while sale #5 was also a sale-leaseback. Battuello then described sales #6 through #8 and reiterated they were not considered in valuing the subject in its entirety.

The principle of substitution, Battuello testified, is the primary principle in the sales comparison approach. He opined that the sales presented in MaRous's sales comparison approach are not consistent with the principles of substitution as the report is suppose to be a fee simple market valuation of a single-user facility and the data used was leased fees as well as multi-tenant characteristics. Battuello agreed that a property that is subject to one or more leases is no longer a fee simple estate. He also agreed that a leased fee estate can be used to value a fee simple estate if reasonable and supportable market adjustments for the difference and rights could be made. He opined the MaRous appraisal does not include adequate adjustments for property rights conveyed. He opined that the appraisal did not contain details about the leases in place for the comparables needed to make adjustments.

In conclusion, Battuello opined that neither of the approaches performed by MaRous were completed properly and the resulting conclusions were neither reasonable nor reliable.

On cross-examination by the City of Chicago, Battuello acknowledged he did not inspect the subject before or at the time he reviewed the MaRous appraisal. He testified he looked around the west parcel to understand its irregular shape and how it relates to the body side building; he did not walk any other portions of the property.

Battuello testified he reviewed the location of the land sales used by MaRous using a mapping service and drove by some. As to the improvements, Battuello testified he inspected the exterior of sales #2 and #5.

Battuello testified the subject could be a single-use property with a special purpose and that the layout restricts uses. He agreed that for true special purpose properties, the cost approach receives the most weight in the valuation process. He agreed that learned treatises indicate that secondary transportation networks are important influences for industrial land, that municipal and/or federal incentives can positively impact land value for urban industrial land area, public infrastructure can add value to industrial land sites, and that fire and police protection typically found in urban areas can also be a positive influence on urban industrial land sites. Battuello agreed with MaRous that the subject's improvements add value to the site.

Battuello was asked multiple questions in regards to the number of appraisals he performed in the Chicago area near the subject. Battuello responded that he prepared an appraisal for a large manufacturing property in Bedford Park 10 years ago. He testified he has not prepared an appraisal in the last three years of a property in the south Chicago industrial market that included estimating a value of vacant land zoned for industrial development.

As to MaRous's depreciation calculations, Battuello opined that MaRous should have deducted depreciation from each cost new and not in one lump sum. He acknowledged that this would result in a higher estimate of value under the cost approach.

As to improved sale #5, Battuello testified that transaction was a sale-leaseback, but that he did not know the terms of the leaseback arrangement. Upon further questioning, Battuello testified he read MaRous's report and incorrectly testified that this transaction may not be a sale-leaseback. He confirmed that this is a leased fee sale. Battuello acknowledged that MaRous considered the leased fee rights of the leased fee sales.

On redirect, Battuello testified that there is a market for the subject. He opined that MaRous's multiple comments in his

appraisal that the subject could be separated and sold individually and the subject could be changed to multi-tenant to infer that there is an upside to separating the property which is different than how the subject was valued.

The City of Chicago presented their rebuttal witness, Anthony Uzemack. Mr. Uzemack testified he is an Illinois licensed general real estate appraiser and holds the MAI designation from the Appraisal Institute. He testified he has been appointed to the Illinois Department of Professional & Financial Regulations as a member of the Appraisal Disciplinary and Regulation Board. Uzemack testified he concentrates his appraisal practice to the Chicago metropolitan area, but that he is also licensed in Indiana, Michigan, Wisconsin, Kentucky, California, and Georgia. He estimated he has completed at least 2,500 industrial property appraisals with about half of those being manufacturing properties. He testified he has appraised 50 to 75 industrial properties over 1,000,000 square feet. He stated he has testified before the Property Tax Appeal Board for taxpayers and taxing districts. Uzemack was accepted as an expert witness in the appraisal of extremely large industrial manufacturing properties and in appraisal review without objection from the remaining parties.

Uzemack testified he was familiar with the subject property and the area surrounding it. He testified that subject's area is known as the south industrial market of the City of Chicago and described this area. He also described the Chicago Manufacturing Campus. Uzemack testified he did a drive-by examination of the exterior of the subject property. He testified he was not familiar with the interior of the property.

Uzemack testified he reviewed the McCormick and Wagner appraisal report of the subject property with a valuation date of January 1, 2006. He testified he reviewed the CoStar reports or MLS reports on the sales of the comparables used and looked at public records to verify the information in the report.

Uzemack opined that the McCormick report did not have meaningful discussions of the transportation linkages and neighboring services that benefit the subject property. He opined that the report lacked information as to why Ford has remained in its location since 1924 or why the plant continues to be successful: skilled labor, heavy power, understanding of logistics, and moving product to and from the site with ease. He opined that the conversion of a large industrial property five blocks from the subject to multi-tenant use was not fully explained in the report which was an error of omission.

As to McCormick's improved sales, Uzemack testified the first five sales are substantially smaller than the subject. He opined they have no references and no direct similarity to the subject in size, utility, use, or locational characteristics. He opined the small size of these properties magnifies the error in adjustment.

Uzemack opined that the report should have had further discussion on splitting the subject property and selling the various portions separately. He testified this should have been done in the highest and best use portion of the report. He also testified that McCormick should have explained further about the other Ford property that sold in Ohio and the characteristics of that property that influenced the low price of that sale.

Uzemack opined that McCormick's sales comparison approach is not reliable due to the degree or lack of degree of comparability.

As to McCormick's land sales, Uzemack testified that the four land sales are outside the Chicago market. He further testified that sales in the south industrial market existed that were concurrent with the date of valuation. He opined that the sizes of the sales do not compare to the subject. Uzemack opined that the land value conclusion was not supported because the range of land sizes and sales prices was too broad. He testified that a review of the improved sales and the estimates of land values used by McCormick in the depreciation analysis show land sales ranging from \$2,500 to \$97,663 per acre. He testified that this analysis does not show a sale at \$45,000 per acre which is the value McCormick arrived at for the subject. Uzemack opined that those land values appear to support agricultural land and not industrial land.

Uzemack opined that the McCormick appraisal was not accurate, convincing or reasonable in arriving at its estimate of value for the property and therefore, not reliable for January 1, 2006. He further opined this value would not be reliable for January 1, 2007 or January 1, 2008.

On cross-examination, Uzemack acknowledged this appraisal was to value the subject property's unencumbered fee simple interest. He agreed that a property that is leased is encumbered and this condition should be reflective as it's currently used.

Uzemack acknowledged that it may not be proper to consider the pieces of a property separately and total them up to get the aggregate value of the whole. He testified the property should be viewed the same way the market participants would view it and if the market would view the property as more saleable in portioning off the property then there will be evidence in the market as to that need. He further testified it is the goal of the appraiser to appraise the entire fee simple interest as it exists on that date of value.

Uzemack testified he did not find any inaccuracies in the McCormick appraisal, but opined that there were some judgmental errors in the report. Uzemack opined that McCormick contradicted himself in the report when he wrote that the subject market area is not strong enough to justify the expense associated with converting the subject property to multi-tenant occupancy and when he wrote,

earlier in the report that the market was on an increase and appreciating.

Uzemack opined that McCormick's reproduction cost new lacked entrepreneurial profit and opined that this is a proper addition to the cost approach for the subject. He also feels that soft costs were not included as well.

As to the use of the improved sales within the depreciation analysis, Uzemack acknowledged that estimating and removing the land values from each sale is an accurate way to arrive at the building value.

Uzemack testified that the extremely large size of the subject is important to its valuation. He confirmed he believed the improved sales, with the exception of sale #1, were located in remote, less populated industrial markets, but that they were still in industrial markets. He agreed that appraisers adjust for location. He further acknowledged that there were no sales of auto assembly plants in the south Chicago market in the last 10 years and that the appraisers have to use the sales they find. Uzemack also testified that he does not know of any auto assembly plants located in multi-tenant buildings.

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. National City Bank of Michigan/Illinois v. Illinois Property Tax Appeal Board, 331 Ill.App.3d 1038 (3<sup>rd</sup> Dist. 2002); Winnebago County Board of Review v. Property Tax Appeal Board, 313 Ill.App.3d 179 (2<sup>nd</sup> Dist. 2000). 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 Board concludes that the appellant has satisfied this burden and that a reduction is warranted.

In determining the fair market value of the subject property for tax year 2006, the Board examined the appellant's and intervenors' appraisal reports and testimony, the board of review's submission, and the appellant's and intervenor's rebuttal documentation and testimony.

The Board finds the board of review did not present or called a witness to testify about their qualifications, identify their work, and testify about the contents of the evidence. In addition, the evidence submitted by the board of review is raw sales data without adjustments and contains a statement that the information is collected from many sources and the data has not been verified nor does the board of review warrant its accuracy.

For these reasons, the Property Tax Appeal Board gives the evidence from the board of review no weight.

In reviewing the remaining evidence and testimony, the Board finds that the parties' appraisers agreed on several issues: that the subject is an extremely large, single-user, owner-occupied, industrial property; the highest and best use as improved is the subject's continued industrial use; the income approach was not useful in estimating the subject's market value; and that the comparables sales approach should be given the most weight.

The courts have stated that where there is credible evidence of comparable sales, these sales are to be given significant weight as evidence of market value. Chrysler Corp. v. Illinois Property Tax Appeal Board, 69 Ill.App.3d 207 (2<sup>nd</sup> Dist. 1979); Willow Hill Grain, Inc. v. Property Tax Appeal Board, 187 Ill.App.3d 9 (5<sup>th</sup> Dist. 1989). Therefore, the Board will give this approach the most weight.

In reviewing the appraiser's sales comparison approaches, the Board finds that both intervenor's appraisers analyzed the same five sales comparables. The City of Chicago's appraiser included an additional three sales, but acknowledged in testimony that these sales were not used in developing the overall value for the subject, but just as an observation of the value of the body side building if that property was to be sold separately. The Board finds that the subject exists as a whole and should be valued as a whole and, therefore, gives no weight to these three sales.

The Board finds one of the main differences in the appellant's sales comparables and the intervenors' sales comparables are the differences in property rights conveyed and the location of the comparables. The appellant's comparables are all fee simple transactions located within the Midwest while the intervenors' comparables are all located in the Chicago metropolitan area or on the outskirts thereof and are leased fee transfers. The Board finds the most important characteristics of the subject are its property rights, its highest and best use, and its size and location. The Board finds the intervenors' argument that the subject's location in the City of Chicago makes any other locations outside of the Chicago metropolitan area inadequate and that adjustments could not be made to sufficiently estimate the value for the subject unpersuasive. The intervenors' argument that there is insufficient skilled labor force, fire protection, water quality and transportation network outside of the Chicago area is flawed. The Board finds the fact that there is industrial property located throughout the Midwest establishes that these basic infrastructures exist, in varying degrees, in areas outside Chicago.

Furthermore, the Board finds that the intervenors' appraisers failed to provide market data in regards to the leases for their sales comparables. All five comparables were leased-fee transactions and the appraisers did not have all the information regarding the leases in place to show ehryrt the sale prices were

negatively or positively influenced by the leases. Aronson made downward adjustments to sales #1 through #3 for inferior property rights and sales #4 and #5 were adjusted upward for superior property rights; his only explanation for these adjustments was that adjustments were made to reflect if the properties were fully leased or partially leased. MaRous did not make any adjustments for property rights to sales #1 and #4, made downward adjustments to sales #3 and #5 because they were partially leased, and made a small adjustment to sale #2 without any explanation as to why or if this adjustment was upward or downward. The Board finds the only comparable submitted by the intervenors where the lease-fee interest of the property minimally impacted the sale was both appraisers' sale #2 which was only 5% leased at the time of sale. Therefore, the Board will give weight to this sale in its analysis. The appraisers have listed different a building size for this comparable in each of their appraisals. However, the Aronson appraisal explains that subsequent to the sale, the buyer added additional loading docks; therefore, the Board will use the lower square footage as listed in the MaRous appraisal for this comparable.

As to McCormick's sales comparables, the Board finds that sales #1 and #2 are significantly smaller than the subject and adjustments needed for size with these comparables would be significant. The Board further finds that, for this reason, these properties are given less weight.

The parties' remaining sales were given significant weight by the Board. These properties range: in size from 794,620 to 1,547,917 square feet of building area; in land to building ratio from 2.08:1 to 9.15:1, and in age from 8 to 62 years. These properties sold from January 2003 to November 2005 for prices ranging from \$0.23 to \$9.04 per square foot of building area, including land. The subject property's 2006 assessed value equates to a market value of \$24.28 per square foot of building area, including land which is above the unadjusted range of comparables. After considering all the evidence including the experts' testimony and submitted documentation as well as the adjustments necessary, the Board finds that the subject's 2006 market value is \$22,095,436.

As a result of this analysis, the Board finds that the evidence and testimony has demonstrated that the subject property was overvalued and that a reduction in the subject's assessment is 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.

*Donald R. Cuit*

Chairman

*[Signature]*

Member

*[Signature]*

Member

*[Signature]*

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 24, 2013

*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.