



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

APPELLANT: Mt. Hawley Insurance Co.
DOCKET NO.: 07-00539.001-C-2
PARCEL NO.: 14-05-201-001

The parties of record before the Property Tax Appeal Board are Mt. Hawley Insurance Co., the appellants, by attorney Kenneth R. Eathington, of Husch, Blackwell & Sanders, LLP in Peoria; and the Peoria 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 Peoria County Board of Review is warranted. The correct assessed valuation of the property is:

LAND: \$141,340
IMPR: \$1,054,580
TOTAL: \$1,195,920

Subject only to the State multiplier as applicable.

ANALYSIS

The subject property consists of a 124,366 square foot site improved with a one-story office building constructed in 1971, with additions in 1982 and 1986. The structure contains a full, partially exposed lower level and is constructed of brick and precast aggregate panels. The upper level contains 38,502± square feet of building area partitioned into general office areas, private offices, conference rooms, an employee lounge and a maintenance room. The lower level contains 39,214± square feet of building area partitioned into a reception area, general offices, private offices, conference rooms, a computer room, employee lounge, fitness area, print shop, mail area and mechanical rooms. The subject is located in the City of Peoria.

The appellant, through counsel, appeared before the Property Tax Appeal Board claiming the fair market value of the subject was not accurately reflected in its assessed value. In support of this argument an appraisal was submitted with an estimated fair

market value of \$3,600,000 as of January 1, 2007 using the three traditional approaches to value.

James W. Klopfenstein, a licensed appraiser, was called as a witness to testify regarding his appraisal methodology and final value conclusion. Klopfenstein has the Member, American Institute Real Estate Appraisers (MAI) and Senior Residential Appraiser, designations from the Appraisal Institute. He is a State Certified General Real Estate Appraiser with over 42 years experience. He inspected the subject parcel on or about September 2007 and developed a cost approach, sales comparison approach and income approach to estimate the subject's market value. Klopfenstein opined that the subject's highest and best use of the subject site as though vacant and as improved was for commercial purposes which include office usage.

Under the cost approach to value, Klopfenstein estimated the subject's site value of \$373,098 (\$375,000 rounded) or \$3.00 per square foot of land area. Klopfenstein examined five vacant land sales in Peoria, Illinois that ranged in size from 63,598 to 219,281 square feet of land area. The sales occurred from January 2004 to March 2007 for prices ranging from \$150,000 to \$1,529,000 or from \$1.90 to \$6.97 per square foot of land area. Klopfenstein used the Marshall Valuation Service Cost Manual to estimate a cost new for the improvements of \$6,450,428 or \$83.00 per square foot of building area. Physical depreciation was estimated to be 33 1/3% or \$2,149,928 using the age/life method. Klopfenstein found no functional obsolescence, however, 25% external obsolescence (\$1,075,125) was found due to the subject being considered an over-improvement for the site with limited marketability for single occupant buildings. Klopfenstein testified that the subject as a single occupant building has limited marketability because it is in excess of 75,000 square feet with minimal interior partitioning. Alterations into a multi-tenant building would be expensive in terms of adding partitioning and hallways. Therefore, Klopfenstein opined that the subject would have a difficult time marketing itself to another single tenant user. Klopfenstein next added a depreciated value of site improvements of \$150,000 to calculate an estimated depreciated value of all improvements of \$3,375,375. An estimated site value of \$375,000 was added to arrive at an estimated value under the cost approach of \$3,750,375 or \$3,750,000, rounded.

Klopfenstein next developed the sales comparison approach. Klopfenstein examined four comparable sales of commercial buildings. Three of the comparable sales were located in Peoria, Illinois and one was located in Pekin. The comparables were built from 1972 to 1992. The sales consisted of one, part one-story and part three-story steel and masonry building, one, two-story masonry building, one, three-story metal panel building and one, six-story steel and concrete building. Three of the comparable sales have a slab foundation and one has a partially partitioned basement. The interiors were partitioned into general office areas. The buildings ranged in size from 19,038

to 85,400 square feet and were situated on parcels ranging from 50,530 to 255,305 square feet of land area. The comparables sold from January 2002 to September 2006 for prices ranging from \$1,250,000 to \$6,800,000 or from \$33.82 to \$79.63 per square foot of building area, including land. Klopfenstein adjusted the comparables for differences when compared to the subject for date of sale, location, site size and site physical characteristics, building size and attending physical characteristics. Based on these adjusted sales, Klopfenstein estimated a value for the subject property under the sales comparison approach of \$3,497,220 or \$45.00 per square foot of building area, including land or \$3,500,000, rounded.

Klopfenstein next developed the income approach to value utilizing five rental properties located in Peoria, Illinois. The comparables were described as multi-tenant office buildings that ranged in size from 69,633 to 230,158 square feet of building area. The properties ranged from 4-story to 20-story steel and masonry buildings with lease terms from 3 to 10 years. Their rentals or offerings ranged from \$11.00 to \$16.50 per square foot. They had occupancy rates ranging from 87% to 100%. The appraiser made adjustments to the comparables for multi-tenant occupancy, location, interior finish, partitioning, age and condition. Based on an analysis of this data, Klopfenstein estimated the subject had an indicated market rent of \$6.00 per square foot of building area, including site and site improvements. The appraiser estimated the subject had a gross potential annual income of \$466,296.

Klopfenstein assumed annual expenses of 20% or \$93,256 for vacancy and credit losses, structural and exterior repairs, maintenance and reserve for replacements. After making these deductions, Klopfenstein estimated the subject had a net annual income of \$373,040.

The appraiser then estimated the overall capitalization rate for the subject from the market using a mortgage equity band of investment analysis. Market trends indicated a 75% loan-to-value mortgage at 7.5% with a 20-year repayment for an indicated mortgage constant of .096671. Discussions with investors indicated an equity dividend rate of 12%. Based on this analysis, Klopfenstein estimated an overall capitalization rate for the subject of 10.25%. Capitalizing the subject's net income resulted in an estimate of value under the income approach of \$3,639,415 or \$3,650,000, rounded.

In reconciliation, Klopfenstein placed most weight and consideration on the sales comparison approach and income approaches because "those more nearly reflect the actions of typical purchasers and investors in this market." Therefore, he estimated a final market value of \$3,600,000 for the subject property as of January 1, 2007.

Based on this evidence the appellant requested a reduction in the subject's assessment to reflect the estimated market value of \$3,600,000 as set forth in the appraisal.

The board of review submitted its "Board of Review Notes on Appeal" wherein the subject's total assessment of \$1,334,120 was disclosed. The subject's assessment reflects a market value of approximately \$4,016,014 or \$51.68 per square foot of building area, including land, using the 2007 three-year median level of assessments for Peoria County of 33.22% as determined by the Illinois Department of Revenue. In support of the subject's assessment, a letter from the board of review was submitted along with a grid sheet using four of the appellant's comparable sales which were located in Pekin and Peoria.

The board of review argued that the appellant's comparable sales ranged from \$33.82 to \$79.63 per square foot of building area, including land. The board of review further argued that sales #2, #3 and #4 were most similar to the subject in location with sale #2 being most similar in size to the subject. Board of Review member, Mike Fortune, testified that the subject's assessment of \$1,334,120 equates to an estimated market value of \$4,002,360 or \$51.50 per square foot of building area, which is slightly above the appellant's comparable #4 and below comparables #2 and #3. In addition, it was argued that the appellant's appraisal estimated the subject's potential gross income of \$6.00 per square foot, which is below the five rental comparables contained within the appraisal. Based on this evidence, the board of review requested confirmation of the subject's assessment.

In rebuttal, the appellant submitted a letter signed by Klopfenstein which indicates the appraisal report provided additional data and reasoning to support the subject's estimated market value of \$45.00 per square of building area, including land. It was further pointed out that the board of review presented no evidence, data or analysis of its own to support the subject's assessed value.

In addition, the appellant argued that the board of review failed to consider supporting rental data and reasoning contained within the appraisal report (page 51) which supported Klopfenstein's estimate of value under the income approach to value.

After hearing the testimony and having considered the evidence, the Board finds that it has jurisdiction over the parties and the subject matter of this appeal. 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 further finds the best evidence of the subject's market value in this record is the appraisal, prepared by James Klopfenstein, MAI, SRA, with an estimated opinion of value of \$3,600,000.

The appraiser, James Klopfenstein, estimated the subject's market value of \$3,600,000 using the three traditional approaches to value. The Board finds the estimated value is adequately supported by the evidence contained in this record.

The Board finds the appellant submitted an appraisal of the subject property in which the subject's market value was estimated to be \$3,600,000 as of January 1, 2007. The subject's assessment reflects an estimated market value of approximately \$4,016,014 or \$51.68 per square foot of building area, including land. The board of review submitted four comparable sales, used by the appellant that sold for prices ranging from \$33.82 to \$79.63 per square foot of building area, including land. However, no adjustments were made for differences in time of sale, land size, access, location and physical characteristics such as building size, condition, age and design. The Board finds the appraiser's testimony was credible and he used a logical and proper adjustment process to account for differences of the four comparables in the appraisal when compared to the subject. The board of review employed no such adjustment process in regards to the sales comparables. The Board finds the best evidence of the subject's market value is found in the version of the subject's appraisal with an effective date of January 1, 2007 as submitted by the appellant. Therefore, the Board finds the subject's market value as of the subject's assessment date of January 1, 2007 is \$3,600,000.

In conclusion, the Board finds the appellant has demonstrated the subject property was overvalued by a preponderance of the evidence. Therefore, the Board finds the subject property's assessment as established by the board of review is incorrect and a reduction is warranted. Since fair market value has been established, the 2007 three-year weighted average median level of assessments for Peoria County of 33.22% shall apply.

This is a final administrative decision of the Property Tax Appeal Board which is subject to review in the Circuit Court or Appellate Court under the provisions of the Administrative Review Law (735 ILCS 5/3-101 et seq.) and section 16-195 of the Property Tax Code.

Ronald R. Cuit

Chairman

K. L. Fern

Member

Frank A. Huff

Member

Mario M. Louie

Member

Shawn P. Lerski

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: August 20, 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.