



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

APPELLANT: Raritan State Bancorp, Inc.
DOCKET NO.: 07-02526.001-C-2
PARCEL NO.: 13-33-155-031

The parties of record before the Property Tax Appeal Board are Raritan State Bancorp, Inc., the appellant, by attorney James E. Skinner, of Rehn & Skinner, L.L.C. in Galesburg; and the Knox 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 Knox County Board of Review is warranted. The correct assessed valuation of the property is:

LAND: \$34,760
IMPR.: \$104,675
TOTAL: \$139,435

Subject only to the State multiplier as applicable.

ANALYSIS

The subject property consists of a 60,984 square foot parcel improved with a one-story brick building designed and currently used as a bank that contains 3,976 square feet of building area that was built in 1999. The subject, commonly known as the Abingdon Banking Center, features a drive-up window and a full, finished basement and is located in Abingdon, Cedar Township, Knox County.

By its attorney the appellant appeared before the Property Tax Appeal Board claiming overvaluation and assessment inequity as the bases of the appeal. The appellant first called Knox County Supervisor of Assessments Chris Gray as an adverse witness. Gray was asked whether the board of review had any evidence documenting rental income for the subject bank's basement, to which the witness replied the board did not have such information.

In support of its overvaluation argument, the appellant submitted an appraisal of the subject property wherein the appraiser

estimated the subject's market value at \$414,000 as of the report's effective date of January 1, 2007. Appraiser Larry Skinner was present at the hearing and testified regarding his methodology, selection of comparables and related data.

In the cost approach, Skinner first estimated a site value for the subject by examining three comparables that range in size from 46,345 to 261,360 square feet of land area. The comparables sold for prices ranging from \$49,900 to \$86,691 or from \$0.33 to \$1.08 per square foot of land area. Based on these land sales, the appraiser estimated the subject's site value at \$65,863, or \$1.08 per square foot of land area. For the subject's improvements, the appraiser consulted the 2007 edition of the Marshall and Swift Cost Manual, from which he derived a cost new of \$1,333,215. This figure included a one-story masonry building, a finished basement, a drive-through canopy, concrete parking lot, vault with doors, fire alarm, sprinklers, and other features related to a bank. The appraiser estimated physical deterioration at 20%, or \$266,643, functional obsolescence at 20%, or \$328,811 and external obsolescence at 30% or \$358,217. Total depreciation from all sources of \$863,671 was subtracted from the cost new to derive a depreciated cost of improvements of \$469,544. To this figure, the appraiser added the site value to estimate the subject's value by the cost approach of \$535,500, rounded.

In the sales comparison approach, Skinner examined nine comparable sales, six of which were banks located in smaller communities like Abingdon. The comparables were 22.79 to 40.29 miles from the subject. The comparables were built between 1927 and 2000 on sites ranging from 6,000 to 85,378 square feet of land area. The comparables range in size from 882 to 18,274 square feet of gross building area and sold between February 2003 and October 2006 for prices ranging from \$76,796 to \$1,420,000 or from \$33.68 to \$179.29 per square foot of building area including land. Skinner adjusted the comparables for differences when compared to the subject, such as excess land, non-realty interests and location. After adjustments, the comparables had adjusted sales prices ranging from \$159,731 to \$1,581,074 or from \$48.63 to \$199.63 per square feet of building area including land. Based on this analysis, the appraiser estimated the subject's value by the sales comparison approach at \$414,000.

Skinner determined an income approach was not applicable to the subject, as "there were no leases available in the area. There is no lease on any of the subject property." However, the appraiser acknowledged the subject's basement is rented out for community events, but the income is "more than used up for utility expenses and there is no net income." The appraiser placed most reliance on the sales comparison approach in estimating the subject's value at \$414,000.

In support of the inequity argument, the appellant submitted information on one comparable property. The comparable is the Tompkins State Bank, located approximately one mile from the

subject in Abingdon, Illinois. The comparable is a 20,691 square foot parcel improved with a one-story brick bank that contains 4,198 square feet of building area. The comparable was built in 1990 with an addition in 1999. This property has an improvement assessment of \$143,030 or \$40.26 per square foot of building area. The subject has an improvement assessment of \$205,570 or \$51.70 per square foot of building area. Based on this evidence, the appellant requested the subject's be reduced to \$138,000, reflecting a market value of approximately \$414,000.

During the hearing, Skinner testified he has appraised 10 or 12 banks and since in his opinion location is the most significant factor in a bank's value, it was important to use comparable banks located in smaller towns like Abingdon. He acknowledged he also appraised the Tompkins State Bank in Abingdon and that this facility is similar to the subject in size and age. The Tompkins State Bank is the appellant's sole equity comparable. Skinner also agreed he does the bulk of appraisal work for the subject bank for fees.

The appellant then called Douglas Meadows, manager of the Abingdon Banking Center since 1998. Meadows testified the subject's basement was designed to provide a meeting place for various civic events, as "we felt the town would utilize a facility that was either a non-alcoholic or non-denominational (sic), and with the construction, it felt like that would certainly be advantageous to the community as well as to the bank from a marketing standpoint." Meadows testified blood drives, Boy Scout meetings and the like are held in the bank's basement, "but the revenue is very minimal." Meadows acknowledged part of the basement has a second vault and part is used for bank storage needs, but the basement contains no offices. The witness further testified 2007 gross revenue for the subject's basement was \$3,075, but after subtracting cleanup, maintenance and utility costs, the bank realized no net income from the basement.

During cross examination, Meadows agreed the bank had gross basement rental income of \$3,700 for 2008 and \$1,900 for 2009. Finally, the witness was asked whether the availability for rental of the subject bank's basement is a marketing device, a good will device to draw people to the facility, to which he responded "Yeah, that's fair, yes."

The board of review submitted its "Board of Review Notes on Appeal" wherein the subject's total assessment of \$240,330 was disclosed. The subject has an estimated market value of \$713,569 or \$179.47 per square foot of building area including land as reflected by its assessment and the 2007 Knox County three-year median level of assessments of 33.68%.

In support of the subject's estimated market value as reflected in its assessment the board of review submitted the subject's property record card, a letter as well as an appraisal of the subject property, wherein the appraiser estimated the subject's value as of January 1, 2009 to be \$575,000. Appraisers Steven

Daly and Steven Morss were present at the hearing to provide testimony and be cross-examined regarding their report. At the outset of the board of review's case in chief, the board attempted to submit into the record a letter prepared by its appraiser, Stephen Daly. In the letter, Daly acknowledged certain bank and commercial property sales used in the board of review's appraisal and asserted there would be no change in the subject's market value between the January 1, 2007 assessment date and the January 1, 2009 effective date of the board of review's appraisal. At this point, the appellant objected to Daly's letter and moved to strike this new evidence, since it was not timely filed by the board of review. The Hearing Officer reserved ruling on the objection and motion to strike this evidence.

The Property Tax Appeal Board hereby sustains the appellant's objection. The Board finds this evidence was not timely submitted, per §1910.40(a)§(d) of the Official Rules of the Property Tax Appeal Board (86.Ill.Admin Code §1910.40(a)§(d)).

The appellant then objected and moved to strike the board of review's appraisal because its effective date was January 1, 2009, rather than January 1, 2007, the effective date of the appeal. The Hearing Officer denied the motion, stating the effective date of the appraisal goes to the weight and credibility of the report.

In the board of review's appraisal, the appraisers used the cost and sales comparison approaches to value. In the cost approach, the appraisers considered two recent sales of land in Abingdon. The comparables consist of parcels that contain 12,021 and 34,676 square feet of land area. The first comparable is improved with a one-story building on a slab foundation. This building was torn down to make way for another commercial building. The second comparable was vacant land. These two comparables sold in January 2003 for prices of \$32,000 and \$17,900, respectively, or \$2.66 and \$0.52 per square foot. The appraisers noted comparable 1 was "Considered a high sale due to the existing building." The appraisers estimated the subject's land value to be \$35,000.

Regarding the subject's improvements, the board of review's appraisers contend the subject bank contains 3,824 square feet of building area. They utilized the Marshall & Swift Cost Manual Calculator Method to derive a base cost of \$139.20 per square foot. This base cost was increased by \$2.45 per square foot to account for a sprinkler system. Incorporation of a perimeter multiplier of 1.03, current cost multiplier of 0.99, and a local cost multiplier of 1.07 resulted in a final square foot cost of \$154.55. A basement square foot cost of \$85.85 was also included. Subtraction of physical deterioration of 20%, functional obsolescence of 10% and external obsolescence of 15% resulted in a depreciated building value of \$510,000, to which depreciated site improvements of \$40,000 were added, along with the site value of \$35,000, to develop an indicated value for the subject by the cost approach of \$585,000, rounded.

In the sales comparison approach, the board of review's appraisers considered twenty comparables. The comparables were located in Davenport, Bettendorf, Le Claire and Iowa City, Iowa and Peoria and Galesburg, Illinois. The comparable sites range in size from 6,849 to 118,614 square feet of land area and are improved with various commercial buildings that range in size from 1,050 to 7,920 square feet of building area. Most are one-story masonry, frame, masonry and frame or metal and masonry exterior construction. Some comparables' story height and/or design were not specified. Twelve comparables were banking facilities, while the remaining comparables were commercial buildings of various types, such as dental or medical offices, retail stores and other offices. These properties sold for prices ranging from \$91,000 to \$1,600,000 or from \$37.42 to \$329.02 per square feet of building area including land. The appraisers reported the bank sales ranged from \$52.99 to \$329.09 per square feet of building area including land, while the eight commercial building sales ranged from \$37.42 to \$104.76 per square feet of building area including land. The appraisers also noted the subject "would be considered an over improvement should it become vacant and placed on the market for sale." Based on this analysis, the board of review's appraisers selected a market value of \$150.00 per square foot of building area including land, or \$575,000, rounded.

The board of review submitted no equity evidence in response to the appellant's one equity comparable. Based on this evidence, the board of review requested the subject's assessment be reduced to \$180,000 to reflect a market value of approximately \$540,000.

During cross examination, the board of review's appraisers agreed they placed most weight on the comparables sales approach and acknowledged most of their bank comparables were located in Davenport, Iowa because they could not find sales of community banks in small towns. They further testified their bank comparables averaged \$173.00 per square foot, while the commercial comparables averaged \$67.00 per square foot, but when questioned by the appellant as to which sales were used to derive the \$150.00 per square foot price for the subject, the board of review's appraisers could not answer with specificity.

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. The Board further finds a reduction in the subject property's assessment is warranted.

The appellant contends the market value of the subject property is not accurately reflected in its assessed valuation. When market value is the basis of the appeal the value of the property must be proved by a preponderance of the evidence. National City Bank of Michigan/Illinois v. Illinois Property Tax Appeal Board, 331 Ill.App.3d 1038 (3rd Dist. 2002). The Board finds the

appellant met this burden of proof and a reduction in the subject's assessment is warranted.

The Board finds both parties submitted appraisals of the subject property in support of their respective arguments. The Board initially finds Skinner's appraisal better reflects the subject's market value because it focused on modest banks in smaller, rural communities like Abingdon. However, Skinner acknowledged he does considerable appraisal work for the subject bank. The Board finds this may call into question his objectivity in valuing the subject, notwithstanding standard assurances in the language of his report that he "has no present or contemplated future interest in the subject property, and neither my current or future employment nor my compensation for performing this appraisal is contingent on the appraised value of the property." However, the Board finds the question of Skinner's objectivity does not overcome the more reliable comparable sales upon which he based his value conclusion, most of which were small town banks like the subject. Skinner utilized an appropriate process to adjust his comparables for differences when compared to the subject. The Board finds in the comments section of his appraisal, Skinner stated "Comparables one, two, three, five, and six show lower values for the outlying areas and smaller towns. The appraiser feels an average of the adjusted comparables sales prices is required to show the mid-range of value for the subject. In the appraiser's opinion, it is not worth what Peoria banks are worth but is worth more than the small town banks." Skinner relied on the adjusted comparable sales as the basis of his market value estimate for the subject, with little reliance on the cost approach.

Regarding the board of review's appraisal, the Board finds the credibility of the report is called into question by Daly's failure to adequately explain how he reconciled his comparable bank sales with office and retail properties with their average prices of \$173.00 per square foot and \$67.00 per square foot, respectively, in selecting a value for the subject of \$150.00 per square foot of building area including land. The Board finds Daly's reliance on bank sales in cities such as Davenport, Iowa that are many times larger than Abingdon diminishes the reliability of such sales, as market forces can be significantly different. Also, notwithstanding Daly's testimony that no significant changes occurred in commercial values between the January 1, 2007 assessment date at issue in this appeal and his report's effective date of January 1, 2009, this assertion is not supported by credible market data in his appraisal. For these reasons, the Board gave less weight to Daly's value conclusion and also finds most of the comparable sales in his report are of minimal use in estimating the subject's market value. However, the Board notes Daly's comparable sale 11, though located in Iowa City, Iowa, is very similar in size to the subject bank and sold for \$111.97 per square foot of building area including land. This sale appears to support the subject's estimated market value of \$104.12 per square foot of building area including land as found in the appellant's appraisal.

To summarize the overvaluation contention, the Property Tax Appeal Board finds the best evidence of the subject's market value is found in the appellant's appraisal. Therefore, the Board finds the appellant has met its burden of proving overvaluation by a preponderance of the evidence and a reduction in the subject's assessment is justified.

The Property Tax Appeal Board finds the board of review's contention that the subject is more valuable than other banks of its size in similar rural locales because of its finished basement, which is rented for occasional use by various community organizations, is not supported by the evidence and testimony in this record. Meadows testified the bank realizes no net income from these rentals, after expenses such as cleaning and utilities are taken into account. The Board finds Meadows' acknowledgement that the bank realizes some marketing benefit because it has provided the community with access to the subject's basement appears is an intangible benefit, as the record contains no evidence of any increased value for the subject.

The appellant also argued unequal treatment in the assessment process as a basis of the appeal. The Illinois Supreme Court has held that taxpayers who object to an assessment on the basis of lack of uniformity bear the burden of proving the disparity of assessment valuations by clear and convincing evidence. Kankakee County Board of Review v. Property Tax Appeal Board, 131 Ill.2d 1 (1989). The evidence must demonstrate a consistent pattern of assessment inequities within the assessment jurisdiction. After an analysis of the assessment data, and considering the reduction in the subject's assessment based on the market value finding herein, a further reduction based on an assessment inequity is not warranted.

Based on the above analysis, the Property Tax Appeal Board finds the subject's market value as of its January 1, 2007 assessment date is \$414,000. Since market value has been established, the 2007 Knox County three-year median level of assessments of 33.68% 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 Morris

Member

Shawn R. Lerbis

Member

DISSENTING:

C E R T I F I C A T I O N

As Clerk of the Illinois Property Tax Appeal Board and the keeper of the Records thereof, I do hereby certify that the foregoing is a true, full and complete Final Administrative Decision of the Illinois Property Tax Appeal Board issued this date in the above entitled appeal, now of record in this said office.

Date: December 3, 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.