FINAL ADMINISTRATIVE DECISION
ILLINOIS PROPERTY TAX APPEAL BOARD

APPELLANT: Thomas G. Deflorio
DOCKET NO.: 07-04108.001-I-2
PARCEL NO.: 03-31-401-005

The parties of record before the Property Tax Appeal Board are Thomas G. Deflorio, the appellant, by attorney David R. Bass, of Thompson Coburn LLP in Chicago; and the DuPage County Board of Review.

Based on the facts and exhibits presented, the Property Tax Appeal Board hereby finds ***no change*** in the assessment of the property as established by the **DuPage** County Board of Review is warranted. The correct assessed valuation of the property is:

LAND:	$439,120
IMPR.:	$799,380
TOTAL:	$1,238,500

Subject only to the State multiplier as applicable.

ANALYSIS

The subject property consists of a 213,000 square foot site improved with a one-story metal panel industrial distribution warehouse facility constructed in 1974. The structure contains 97,586 square feet of building area. The subject has approximately 10,000 square feet of office space and 22 foot ceiling clearance in the warehouse area; four truck level docks and seven drive-in doors. In addition, the subject contains a rail spur along the north of the building. The subject is located in Addison Township, DuPage County.

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

Edward Kling, a licensed appraiser, was called as a witness to testify regarding his appraisal methodology and final value conclusion using the three traditional approaches to value. Kling has the Member, American Institute Real Estate Appraisers (MAI) designation from the Appraisal Institute. He attained his MAI designation in 2001 and has conducted approximately 4,000 appraisals with 20% to 25% being industrial appraisals. Kling testified that he has 22 years of appraisal experience.

Kling testified that the subject's highest and best use as vacant is for an industrial building that maximizes the building's size and functional utility. Kling opined that the subject's existing use and improvements constitute the highest and best use of the site as improved.

Under the cost approach to value, Kling estimated the subject's site value of $1,065,040 or $5.00 per square foot of land area. Kling examined four land sales in Carol Stream and Glendale Heights, Illinois that ranged in size from 142,006 to 342,033 square feet of land area. The land sales were described as being located in secondary industrial areas near major transportation routes. Sale #1 required a positive adjustment for date of sale; #2, #3 and #4 required positive adjustments for utility for lack of rail service. All of the land sales were given negative adjustments for their rectangular shape which make them easier to develop. In addition, #1 and #2 were larger in size than the subject and required a negative adjustment. The sales occurred from December 2004 to August 2006 for prices ranging from $1,000,000 to $1,578,500 or from $4.50 to $7.04 per square foot of land area.

Kling used the Marshall & Swift Valuation Service (Section 14, page 23, Type C, Quality Average) for the subject to estimate a replacement cost new for the improvements of $4,758,929 or $48.77 per square foot of building area. Physical depreciation was estimated using the physical age/life method at 36%. Functional obsolescence of 20% was estimated because of the adaptive use of a large enclosed area within the warehouse which used to be refrigerated and the small number of truck level docks for a building of the subject's size. Accrued depreciation using the breakdown method, age/life method and extraction method was estimated to be 60% or $2,855,357. He next subtracted the depreciation estimate from the estimated cost new to arrive at a depreciated value of the improvements of $1,903,572. An estimated contributory value of the site improvements of $90,000 was added to the estimated site value of $1,065,000 and an entrepreneurial incentive of 10% or $199,357 was added to arrive at an estimated value under the cost approach of $3,257,929 or $3,260,000, rounded or $33.40 per square foot of building area.

Kling next developed the sales comparison approach. Kling examined five comparable sales of distribution warehouse facilities. The comparable sales were located in Addison, Downers Grove, Naperville and Lombard, Illinois. The comparables were built from 1949 to 1972, with one of the sale comparables

being renovated in 1970. The sales consisted of one-story masonry, metal or mixed construction industrial buildings with office build-outs ranging from 4% to 16% and ceiling clearances ranging from 16 to 32 feet. They had truck level docks ranging from 2 to 7. The buildings ranged in size from 59,682 to 95,000 square feet of building area and were situated on parcels ranging from 96,268 to 871,200 square feet of land area. They had land-to-building ratios ranging from 1.61:1 to 9.17:1. The comparables sold from February 2004 to October 2006 for prices ranging from $1,157,500 to $3,200,000 or from $17.62 to $34.45 per square foot of building area, including land. Kling adjusted the comparables for differences when compared to the subject for date of sale, size, dock facilities, office build-out, age, ceiling clearance, access to rail access, land-to-building ratios and construction. Based on these adjusted sales, Kling estimated a value for the subject property under the sales comparison approach of $2,927,580 or $2,930,000, rounded or $30.00 per square foot of building area, including land.

The next approach developed by Kling was the income approach to value. Kling examined five rental comparables consisting of large industrial improvements in Addison and Glendale Heights. The rental comparables ranged in size from 64,090 to 120,000 square feet that were built from 1970 to 1996. They had ceiling heights ranging from 20 to 24 feet with office build-outs ranging from 2% to 18%. The industrial buildings had four to ten truck level docks. The rental comparables had rents ranging from $3.90 to $5.75 per gross square foot of building area or from $2.78 to $4.70 per square foot on a net basis. Based on these market rents, Kling estimated a market rent for the subject of $3.25 per square foot of building area annually or $317,155 on a net basis. Expense recovery charges for real estate taxes and insurance in the amount of $84,900 was added for a total potential gross income for the subject of $402,054. A 9% vacancy rate or $36,185 was deducted for an effective gross income of $365,869. Expenses for management fees, real estate taxes, insurance, accounting and reserves for replacement ($123,272) were subtracted to arrive at an estimated net income for the subject of $242,597. A direct capitalization technique, band of investments, mortgage-equity analysis and published sources, indicated an overall capitalization rate of 8.3% was considered reasonable for the subject. The appraiser applied this overall capitalization rate to the subject's estimated net income of $242,597 which indicated a value for the subject under the income approach of $2,922,856 or $2,923,000, rounded. Kling also developed a loaded capitalization rate by adding an effective tax rate of 1.6% to the overall rate of 8.3% for a total capitalization rate of 9.9% which indicated a value for the subject of $3,060,000 or $3,000,000, rounded, using a loaded overall capitalization rate.

In reconciliation, Kling placed most weight and consideration on the income and sales comparison approaches to value. Based on investigation and analysis, Kling estimated a final market value of $3,000,000 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 $3,000,000 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 $1,238,500 was disclosed. The subject's assessment reflects a market value of approximately $3,723,692 or $38.16 per square foot of building area, including land, using the 2007 three-year median level of assessments for DuPage County of 33.26% as determined by the Illinois Department of Revenue. In support of the subject's assessment the board of review submitted property characteristic sheets and a grid analysis of seven suggested comparable sales. The comparables were located in Addison, Bensenville and Itasca, Illinois

The masonry and metal or tilt-up industrial comparables were built from 1960 to 1985 and had ceiling heights ranging from 20 to 30 feet. They had land to building ratios ranging from 1.64:1 to 2.43:1 with office space ranging from 2.10% to 13.78% of building area. The properties sold from May 2006 to September 2007 for prices ranging from $3,800,000 to $6,298,507 or from $39.22 to $70.86 per square foot of building area, including land.

Frank Marack, the Chief Deputy Assessor for Addison Township, was called as a witness. Marack testified that he gave sales comparables #3 and #4 less weight in his assessment analysis of the subject because they are multi-tenant buildings. Marack testified that all of the comparables are located within Addison Township and all are within 2.5 miles of the subject. Based on this evidence, the board of review requested an increase in the subject's assessment to $1,400,000 to reflect a market value of $4,200,000 or $43 per square foot of building area, including land.

On cross-examination Marack acknowledged that his office typically would not have knowledge of any change in the interior office space size of any property. Marack admitted that the board of review's comparables reflect unadjusted sale prices, however, his request for an increase in the subject's assessment is the result of adjusting the comparables. The adjustments he made are not reflected in the evidence in the record. Marack testified that he adjusted sale #1 for date of sale, size, land-to-building ratio and age for a positive adjustment; sale #2 was adjusted for size, age and office area for a negative adjustment; sale #3 was adjusted for size, land-to-building ratio, age, number of units and office for an overall negative adjustment; sale #4 was adjusted for date of sale, land-to-building ratio, age, number of units and office for an overall negative adjustment; sale #5 was adjusted for date of sale, land-to-building ratio, and age with no overall adjustment; sale #6 was adjusted for date of sale and office area for an overall positive adjustment; and sale #7 was adjusted for size, land-to-building ratio, year built and office area for an overall negative

adjustment. Marack testified that from 2000 to 2007 the industrial market trended upward substantially. Marack testified that he would expect a sale in February 2000 to increase in 2007. Marack testified that he did not believe that CoStar was a reliable source of data based on his past experience.

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 appellant has not met this burden and no reduction is warranted. In addition, the Board finds the record does not support an increase in the subject's assessment.

The appraiser, Edward Kling, estimated the subject's market value of $3,000,000 using the three traditional approaches to value. The Board finds the estimated value is not 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 $3,000,000 as of January 1, 2007. The subject's assessment reflects an estimated market value of approximately $3,723,692 or $36.18 per square foot of building area, including land. The Board finds the best evidence of the subject's estimated market value is depicted by the comparable sales located in close proximity to the subject. The Board finds this record depicts numerous sales, similar to the subject, located within the subject's immediate market area.

The Board finds the comparable sales submitted by the board of review are better indicators of the subject's fair market value. 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. In Chrysler Corporation v. Property Tax Appeal Board, 69 Ill.App.3d 207 (1979), the court held that significant relevance should not be placed on the cost approach or income approach especially when there is market data available. In Willow Hill Grain, Inc. v. Property Tax Appeal Board, 187 Ill.App.3d 9 (1989), the court held that of the three primary methods of evaluating property for the purpose of real estate taxes, the preferred method is the sales comparison approach. Since there are credible market sales contained in the record, the Board placed most weight on this evidence.

The Board finds the board of review submitted seven suggested comparables to support the subject's estimated market value as reflected by its assessment. The Board gave less weight to the board of review's comparables #3 and #4 because the evidence revealed these are multi-tenant distribution facilities, unlike the subject. The Board finds the remaining distribution

facilities, which sold from May 2006 to September 2007, are similar to the subject's use. Two comparables are smaller while three properties are slightly larger than the subject. The subject's land-to-building ratio is 2.18:1 while the five most similar comparables have land-to-building ratios ranging from 1.64:1 to 2.41:1; four of the properties have masonry and metal exterior construction, similar to the subject. In addition, the properties were built from 1960 to 1979 with the subject being constructed in 1974. The Board finds these five comparables have similar ceiling heights comparable to the subject and are composed of one unit, like the subject. Each of the five most similar sale comparables was located within the subject's township and within 2.5 miles of the subject. The five most similar comparables sold for prices ranging from $3,800,000 to $6,293,446 or from $39.22 to $53.39 per square foot of building area, including land. The subject's assessment reflects an estimated market value of approximately $3,723,692 or $38.16 per square foot of building area, including land, which is less than the best comparables sales in this record. After considering any necessary adjustments to the comparables for any differences when compared to the subject properties, the Property Tax Appeal Board finds the subject's assessed valuation is supported and no reduction is warranted.

Based on this analysis, the Property Tax Appeal Board finds the appellant has not demonstrated overvaluation by a preponderance of the evidence. Therefore, the Board finds the subject's assessment as established by the board of review is correct and no reduction 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.

Chairman

Member

Member

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: December 3, 2010

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.