



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

APPELLANT: Astellas Research Institute America LLC
DOCKET NO.: 07-24135.001-C-1
PARCEL NO.: 11-18-118-008-8032

The parties of record before the Property Tax Appeal Board are Astellas Research Institute America LLC, the appellant, by attorney Patrick J. McNerney, of Mayer Brown LLP in Chicago; and the Cook 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 Cook County Board of Review is warranted. The correct assessed valuation of the property is:

LAND: \$ 0
IMPR.: \$ 211,411
TOTAL: \$ 211,411

Subject only to the State multiplier as applicable.

ANALYSIS

The subject is a leasehold property consisting of 7,649 square feet of office and lab space located in Northwestern University Office Building, owned by a tax exempt entity. This is a six-story, multi-tenant building with approximately 100,000 square feet consisting of a variety of research, lab and office users. The concrete and glass building has an age of approximately 20 years. The appellant, via counsel, argued that the fair market value of the subject was not accurately reflected in its assessed value.

In support of the market value argument, the appellant submitted an appraisal undertaken by Alan R. Geerdes, Michael J. Kelly, and William J. Townsley of Real Estate Analysis Corporation. The report indicates all three appraisers are State of Illinois certified general real estate appraisers, while both Kelly and Townsley hold an MAI designation. Geerdes made a personal inspection of the subject property. The appraisers indicated the subject has an estimated market value of \$390,000 as of January 1, 2007. The appraisal report utilized the income approach to

value to estimate the market value for the subject property. The appraisal finds the subject's highest and best use is its present use.

In the income approach to value, the appraisers analyzed the value of the leasehold interest by application of the economic formula adopted in People ex. Rel. Korzen v American Airlines, 39 Ill.2d 11 (1967). The Supreme Court of Illinois in American Airlines set forth the mathematical formula to be used in calculating the value of a leasehold property for real estate assessment purposes by stating that:

The present value of the current market rental payable in the future, which is the fair cash value of the leasehold, can be determined by multiplying the current market rental of a leasehold by the present value of an annual payment of one dollar for the unexpired term of the lease. Id at 19.

The appraisers examined ten commercial properties suggested as comparable. Their effective gross rental rates ranged from \$23.89 to \$29.83 per square foot of net rentable area on a gross basis. They also examined four lease offerings, ranging in asking gross rental rates from \$18.00 to \$31.00 per square foot. Finally, they analyzed the subject's actual leases, which have a weighted average gross rental rate of \$38.90 per square foot. The appraisers noted they believed this to be above-market rent as the subject's space is furnished by the lessor. The appraisers then estimated a gross market rent for the subject of \$30.00 per square foot. This yields an annual potential gross income of \$229,470. After deducting an allowance for management, vacancy and collections losses, and expenses, the total annual net rental income was indicated as \$137,682.

The appraisers then utilized the Annuity Capitalization Method to arrive at an appropriate discount rate for the leasehold. Based on an analysis of data, the appraisers used a discount rate of 8.25% for the remaining term of the lease of 51 months.

The appraisers then calculated a Monthly Present Worth factor of 33.5570 and applied it to the monthly market rent of \$11,474 to indicate the value of the leasehold as \$390,000, rounded.

The appraisal then stated insufficient data was available to develop a cost or sales comparison approach to value. Based on this evidence, the appellant requested a reduction in the subject's assessment.

The board of review submitted "Board of Review-Notes on Appeal" wherein the subject's total assessment was \$211,411. The subject's final assessment reflects a fair market value of \$556,345 when the Cook County Real Property Assessment Classification Ordinance level of assessment of 38% for Class 5a properties is applied. In support of the assessment, the board submitted a memo indicating the appellant failed to supply the

actual lease terms of the subject property or the actual contract rent for the property. Additionally, the memo stated that the subject is uniformly assessed with other similar leaseholds within the building. Based on this evidence, the board of review requested confirmation of the subject's assessment.

After reviewing the record and considering the evidence, the 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. Cook Cnty. Bd. of Review v. Prop. Tax Appeal Bd., 339 Ill. App. 3d 529, 545 (1st Dist. 2002); National City Bank of Michigan/Illinois v. Prop. Tax Appeal Bd., 331 Ill. App. 3d 1038, 1042 (3d Dist. 2002) (citing Winnebago Cnty. Bd. of Review v. Prop. Tax Appeal Bd., 313 Ill. App. 3d 179 (2d Dist. 2000)); 86 Ill. Admin. Code § 1910.63(e). 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. Calumet Transfer, LLC v. Prop. Tax Appeal Bd., 401 Ill. App. 3d 652, 655 (1st Dist. 2010); 86 Ill. Admin. Code. § 1910.65(c). Having considered the evidence presented, the Board finds that a reduction is not warranted.

The Board gives no weight to the appellant's appraisal that solely utilizes the income approach to value the subject leasehold property. Although the appraisers considered the economic formula adopted in American Airlines, they failed to develop a sales comparison approach to value. The court has held that "[w]here the correctness of the assessment turns on market value and there is evidence of a market for the subject property, a taxpayer's submission that excludes the sales comparison approach in assessing market value is insufficient as a matter of law." Cook Cnty. Bd. of Review v. Ill. Prop. Tax Appeal Bd., 384 Ill. App. 3d 472 at 484 (1st Dist. 2008). The Illinois Appellate Court recently revisited this issue in Bd. of Educ. of Ridgeland Sch. Dist. No. 122, Cook Cnty. v. Prop. Tax Appeal Bd., 2012 IL App. (1st) 110,461 (the "Sears" case). In Sears, the court stated that, while the use of only one valuation method is not inadequate as a matter of law, the evidence must support such a practice and the analyst must explain why the excluded valuation methods were not used in the analysis for the Board to use such an analysis. Id. at ¶ 29. In this case, the appellant did not include the cost approach to value or sales comparison approach to value in the market value analysis. The appellant provided no plausible reason for excluding these valuation methods, and the evidence does not show that their exclusion is standard practice when valuing property that is similar to the subject.

Although a leasehold property may be considered to be a unique property, the court has stated, "The key criterion in determining whether property is special purpose property is 'whether the property is in fact so unique as to not be salable, not what

factors might or might not make it so unique.' " United Airlines, 348 Ill.App.3d at 572, 284 Ill.Dec. 169, 809 N.E.2d 735, quoting Chrysler Corp., 69 Ill.App.3d at 213, 25 Ill.Dec. 695, 387 N.E.2d 351.

As the subject property consisted of 7,649 square feet of office and lab space in a 100,000 square foot structure which housed similar uses, this lease is not "so unique as to not be salable." United Airlines, 348 Ill.App.3d at 572, 284 Ill.Dec. 169, 809 N.E.2d 735, quoting Chrysler Corp., 69 Ill.App.3d at 213, 25 Ill.Dec. 695, 387 N.E.2d 351.

Accordingly, the Board finds that reliance on the appellant's income approach would be deficient as a matter of law. After considering the evidence presented, the Board finds the subject's assessment is supported and a reduction in the subject's assessment is not warranted.

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

Ronald R. Cuit

Chairman

K. L. Fern

Member

Frank A. Huff

Member

Mario Morris

Member

J. R.

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: February 22, 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.