FINAL ADMINISTRATIVE DECISION
ILLINOIS PROPERTY TAX APPEAL BOARD

APPELLANT: Funk Linko, Inc.
DOCKET NO.: 08-27602.001-I-1 through 08-27602.013-I-1
PARCEL NO.: See Below

The parties of record before the Property Tax Appeal Board are Funk Linko, Inc., the appellant, by attorney Robert J. Paul 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:

DOCKET NO	PARCEL NUMBER	LAND	IMPRVMT	TOTAL
08-27602.001-I-1	32-21-416-010-0000	4,842	991	$ 5,833
08-27602.002-I-1	32-21-416-011-0000	12,832	19,671	$32,503
08-27602.003-I-1	32-21-416-012-0000	607	123	$ 730
08-27602.004-I-1	32-21-416-013-0000	7,470	67,582	$75,052
08-27602.005-I-1	32-21-416-014-0000	6,870	694	$ 7,564
08-27602.006-I-1	32-21-416-015-0000	5,953	13,180	$19,133
08-27602.007-I-1	32-21-416-016-0000	5,418	9,942	$15,360
08-27602.008-I-1	32-21-416-017-0000	1,687	21,613	$23,300
08-27602.009-I-1	32-21-416-018-0000	1,687	21,613	$23,300
08-27602.010-I-1	32-21-416-019-0000	1,687	21,613	$23,300
08-27602.011-I-1	32-21-416-020-0000	1,687	21,613	$23,300
08-27602.012-I-1	32-21-416-021-0000	2,180	27,016	$29,196
08-27602.013-I-1	32-21-416-022-0000	9,517	209	$ 9,726

Subject only to the State multiplier as applicable.

ANALYSIS

The subject property consists of a three-building industrial complex. Building No. 1 was constructed in 1904. It is a one and part two-story brick building with a total of 25,440 square feet. The two-story section is used for office space and comprises 4,070 square feet of the total. The industrial area has 14 foot ceilings and two truck doors. Building No. 2 was built in 1904, with an addition constructed in 1940. This building contains a total of 21,120 square feet which includes 4,920 square feet of office space. This brick building has 18 foot high ceilings in the industrial area and one loading dock. Building No. 3 was built in 1995, with an addition constructed in 1998. The building contains a total of 26,250 square feet of area. It is one-story and is constructed with concrete block foundation and metal panel exterior walls. It has four electric truck doors. Additionally, the subject site contains a land area of 135,456 square feet, or 3.11 acres, including 30,000 square feet of asphalt paving. The appellant, via counsel, argued that the market value of the subject property is not accurately reflected in the property's assessed valuation as the basis of this appeal.

In support of the market value argument, the appellant submitted an appraisal undertaken by Carolos I. Mendoza and Michael J. Kelly of Real Estate Analysis Corporation. The report indicates Kelly is a State of Illinois certified general appraiser who holds an MAI (Member of the Appraisal Institute) designation, while no licensing credentials are indicated for Mendoza. The appraisers indicated the subject was physically inspected by Mendoza and they find the subject's highest and best use is its current use. Additionally, page six of the appraisal indicates that there was a deed transfer of the subject property within five years preceding the date of valuation, with no further explanation.

Under the cost approach to value, the appraiser estimated a land value after analyzing six suggested land sale comparables. While the subject contains 135,456 square feet of area, the comparables range in size from 196,020 to 931,138 square feet. Comparables #1 and #2 sold in 2007, while comparables #3 through #6 sold from 2002 through 2004. They sold for prices ranging from $0.28 to 1.53 per square foot. The appraisers noted that sales #1 and #3 through #6 were inferior to the subject and sold for prices ranging from $0.28 to $1.02 per square foot, while sale 2 was considered superior to the subject and sold for $1.53 per square foot. The subject contains 135,456 square feet of land, while sale #2 contains 196,020 square feet of land, yet the appraiser noted that larger parcels typically sell for a lower per square foot value. The appraisers then valued the subject land at $1.25 per square foot.

Next, the appraisers used the replacement cost-new method to value the improvements. They determined that building #1's total replacement cost was $2,186,000, building #2 was $1,706,000, building #3 was $1,843,000 and the paving (site improvement) was $334,000. The appraisers then totaled these four factors to arrive at a total replacement cost of $6,069,000. The source for these estimated costs was not cited. The appraisers then used a market abstraction depreciation analysis using the six sales from the sales comparison approach in the appraisal. They estimated the land value for each sale, as well as the estimated replacement cost-new for each sale, and determined an average annual rate of depreciation. From this, the appraisers concluded the subject had a total accrued depreciation of 95%. They then not only depreciated the building improvements but the site improvement as well, valuing the three industrial buildings and the paving at $303,450. Adding in the land value of $170,000 yielded a total value indicated by the cost approach of $470,000, rounded.

Under the income approach, the appraisers analyzed six suggested lease comparables. They range in lease size from 25,922 to 64,800 square feet, with the subject containing an aggregate of 72,810 square feet. Leases #1 through #4 and #6 all lease a portion of a single, larger facility, while the subject is a multi-building complex. Leases #1 through #5 leased for a range $1.96 to $2.75 per square foot, on a net basis. Lease #6 leased for $0.81 per square foot, net. The appraisers concluded that the subject was inferior to the majority of the lease comparables and valued the subject at $1.00 per square foot, net.

Next, the appraisers estimated that the subject's vacancy rate should exceed that indicated by the *Grubb and Ellis* industrial market report. Accordingly, they deducted 25% for vacancy, management and collection loss to estimate net effective rent at $54,607. The appraisers then applied a capitalization rate analyzing the rates of the comparables used in the sales comparison approach. It should be noted that the appraisers estimated a rental rate for these properties, and also applied an estimated vacancy and collection loss deduction. They arrived at a capitalization rate of 10.5%, which exceeds the rates suggested by the *Korpacz Investor Survey* indicated on page 84 of the appraisal. Their rounded value indicated by the income approach was then calculated to be $520,000.

Under the sales comparison approach, the appraisers analyzed the sales of six suggested comparable properties. Sales #1 through #5 sold from May 2005 through August 2008, while sale #6 sold in September 2004. Sales #1 through #5 sold for $7.30 to $11.45 per square foot, including land, while sale #6 sold for $3.41 per square foot. All of the sales except sale #1 were of single building design. It should also be noted that the appraisers adjusted the sale price of sale #5 by $60,000 to account for excess land, based on "typical" land-to-building ratios in this market of 3.00:1, although sales #1, #2 and #6 had higher land-to-buildings ratios than this value. Although sales #1 through #5 range in value from $7.30 to $11.45 per square foot, including land, the appraiser valued the subject at $7.00 per square foot, including land, to arrive at an indicated value under the sales comparison approach of $510,000.

In reconciling the three approaches to value, the appraisers noted that they placed moderate consideration on the cost and income approaches, while maximum emphasis was given to the sales comparison approach. Accordingly, the appraisers arrived at a final estimate of value for the subject as of January 1, 2008 of $510,000.

The board of review submitted "Board of Review-Notes on Appeal" wherein the subject's total assessment was $288,297. This assessment reflects a market value of $800,825 using the level of assessment of 36% for Class 5B property as contained in the Cook County Real Property Assessment Classification Ordinance. The board also submitted the assessment cards for the subject as well as sales data on a total of seven comparables of industrial properties located within a six mile radius of the subject. They sold between February 2004 and November 2008 for prices ranging from $550,000 to $2,403,092, or from $10.96 to $47.96 per square foot of building area, including land. No adjustments were made for location, size, age or amenities. In addition, the board of review submitted a map showing the location of the sales comparables in relation to the subject property. As a result of its analysis, the board requested confirmation of the subject's assessment.

After considering the evidence and reviewing the record, 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, 331Ill.App.3d 1038 (3rd Dist. 2002); Winnebago County Board of Review v. Property Tax Appeal Board, 313 Ill.App.3d 179 (2nd 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 evidence indicates a reduction is not warranted.

In determining the fair market value of the subject property, the Board gives no credibility to the appraisers' conclusion of value. First, the Board notes that the appraisal indicated there was a deed transfer of the subject property within the last five years, with no further explanation. Moreover, there are flaws in all three approaches proffered by the appraisers. Four of the six land sales occurred in 2002 through 2004, too distant in time to determine an accurate market value as of January 1, 2008. Additionally, the appraisers failed to cite any sources for their replacement cost-new approach, depreciated the buildings and site improvements by 95%, and relied on their own suggested sales comparables to estimate an average annual rate of depreciation in a highly speculative manner.

The Board also finds that the income approach is flawed as five of the six lease comparables were for portions of a single-tenant building. Furthermore, the appraisers used a vacancy rate higher than that indicated by *Grubb & Ellis.* They then developed a market rate analysis using their sales comparables in which they estimated a net rent, a vacancy rate and a collection amount to determine a capitalization rate for the subject in excess of those indicated by the *Korpacz Investor Survey*.

Under the sales comparison approach, sale #6 occurred too distant in time to be considered in determining the subject's market value as of January 1, 2008. Additionally, sale #5's sale price was adjusted based on the appraisers' estimate of excess land. Finally, the parties waived their right to an oral hearing and requested that a decision be rendered solely on the evidence contained in the record. As there was no hearing, there was no appraiser testimony to bolster the position indicated by the appraisal. The Board finds that because of this analysis and the use of inappropriate market data and techniques, the estimate of value for the subject property is unreliable.

Analyzing the remaining sales comparables contained in the appraisal, that is sales #1 through #4, the Board finds they had a sale price per square foot ranging from $8.24 per square foot through $11.45 per square foot, including land. The subject is currently valued at $11.00 per square foot, including land, which is within the best comparables from the appellant's appraisal. As a final point, the Board finds that several of the board of review's comparables were excluded from analysis due to age of sale, terms of sale and property usage. Their most similar sale comparables, sales #1, #4 and #6, range in price per square foot from $10.96 to $32.00 per square foot, including land. Again, the subject's current market value of $11.00 is within this range.

Accordingly, in determining the fair market value of the subject property, the Board finds that the appellant failed to submit sufficient evidence to show the subject was overvalued. Therefore, the Board finds that the appellant has not met its burden by a preponderance of the evidence and that the subject does not warrant a reduction based upon the evidence contained in the record.

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: July 18, 2014

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.