FINAL ADMINISTRATIVE DECISION
ILLINOIS PROPERTY TAX APPEAL BOARD

APPELLANT: Tempel Smith Trust
DOCKET NO.: 09-01363.001-I-2
PARCEL NO.: 03-27-400-037

The parties of record before the Property Tax Appeal Board are Tempel Smith Trust, the appellant, by attorney Michael J. Fogarty, Morton Grove, and the Lake County Board of Review, by Assistant State's Attorney Tara H. Ori.

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 **Lake** County Board of Review is warranted. The correct assessed valuation of the property is:

LAND:	$286,620
IMPR.:	$356,054
TOTAL:	$642,674

Subject only to the State multiplier as applicable.

ANALYSIS

The subject property consists of 30.49 acre site that is improved with an industrial manufacturing building. A significant portion of the land is unusable for development due to its location in a floodplain, floodway, and wetlands totaling approximately 23 acres. The site also contains approximately 3.44 acres of water detention/septic ponds. The subject's site has approximately 7-acres[1] of net usable area. Land to building ratio is 5.6:1 for the total site and 24.4:1 based on the net usable site area of 7 acres.

The improvements contain a total of 74,578 square feet of building area and were constructed in stages from the 1950's through the 1980's, with a recent addition in approximately 1995. The 1995 building addition connected the existing structures to form one building. The primary warehouse and manufacturing space is comprised of a one-story structure of masonry, steel panel and steel frame construction. The building has two offices totaling

[1] The appellant's appraiser calculated subject as having 19.20 acres of net usable land area.

5,430 square feet or 7.3% of the building area. The main office has 4,640 square feet. The second office contains 550 square feet. Clear ceiling heights vary from 10 to 40 feet in the older sections of the building while the newer section of the building has 24 foot clear ceiling heights. The building is serviced by eight overhead doors across the rear of the building with access to a rail spur; however, the rail spur is not operational. The building also has three other drive-in doors with ramps, five exterior depressed truck docks with levelers and two interior truck docks with levelers. The building has five overhead bridge cranes with capacities ranging from 1 to 10 tons. The newer section of the building has a recessed floor area for equipment and 5 by 6 foot concrete trench/tunnel that is approximately 50 feet long used for material/waste movement. (See photograph, page 53 of board of review appraisal). Heating and cooling systems vary from section to section of the building. The property has adequate electrical systems. The property is located in Newport Township, Lake County.

The appellant appeared before the Property Tax Appeal Board through legal counsel arguing the subject's assessment is not reflective of fair market value. In support of this claim, the appellant submitted an appraisal of the subject property. The appraisal report conveys an estimated market value of $1,375,000 as of January 1, 2009. The appraisal was prepared by Martin S. Siegel of S. Siegel & Associates, Ltd.

Siegel determined the highest and best use as vacant would be for development of an office/warehouse light industrial property having features that conform to similar surrounding properties. Siegel determined the highest and best use of the subject parcel as improved is its present use.

The first approach developed by Siegel was the cost approach to value. The initial step under this method was to estimate the land value as vacant using four land sales. The comparable land sales range in size from 8 to 97 acres. The suggested land comparables were located in unincorporated Lake County, Beach Park, Zion and Antioch, Illinois. The land sales occurred from June 2006 to July 2008 for prices ranging from $600,000 to $7,440,253 or from $50,000 to $76,703 per acre. The appraiser considered differences to the comparables for market condition, utilities or lack thereof, physical characteristics and location. Based on the perceived differences, the appraiser made narrative qualitative adjustments resulting in a per unit land value of $50,000 per acre. Applying this value indicator to the subject's 19.20 net usable acres resulted in an estimated land value of $960,000.

Siegel next estimated the reproduction cost new of the subject's improvements using Marshall Valuation Service. Page 46 of the appraisal indicates the subject's improvements have an effective age of 26 years and an economic life of 35 years, resulting in physical deprecation of 75%. However, in the reproduction cost ladder, the appraiser indicated the subject had an effective age

of 30 years. The appraiser estimated the total reproduction cost of the building improvements to be $62.03 per square foot of building area or $4,266,772, which included all direct and indirect costs. Both curable and incurable physical depreciation was estimated to be 75% based on the age life method and deferred maintenance. Functional obsolescence was estimated to be 15% due to subject's irregular layout, varying ceiling heights, varying construction types and lack of fire sprinkler protection. Therefore, total depreciation was estimated to be 90% or $3,840,095, resulting in a depreciated reproduction cost of $426,677. Adding the estimated land value of $960,000, the appraiser determined a final value conclusion under the cost approach of $1,385,000.

Siegel next developed the income approach to value using four suggested industrial rental comparables. The rental comparables are located in Waukegan or Gurnee, Illinois, but only limited descriptions were provided. The rental comparables' land size, land to building ratio, construction quality, use, age, design and features were not disclosed. The structures were reported to range in size from 30,750 to 56,000 square feet of building area. Ceiling heights ranged from 23 to 28 feet. The leases were from 12 to 72 month terms commencing from March 2004 to February 2009 for rental rates ranging from $2.64 to $4.00 per square foot net building area. The appraiser also reported gross rental rates for comparables 1 and 4 of $5.10 and $4.67 per square foot of building area, respectively.

The report indicates rental comparable 1 is a smaller space within a larger multi-tenant building, which warrants positive adjustments for land to building ratio and size, while negative adjustments were required for location, ceiling clearance, construction quality, age and overall condition. Rental comparable 2 is a smaller space within a larger multi-tenant building, which requires a positive adjustment for land to building ratio with negative adjustments for location, construction quality, age and overall condition. Rental comparable 3 is a smaller space within a larger multi-tenant building, which warrants positive adjustments for utility and land to building ratio and negative adjustments due to location, construction quality, age and overall condition. Rental comparable 4 is a smaller industrial building which requires positive adjustments for land to building ratio and negative adjustments due to location, construction quality, age and overall condition. After making the adjustments, the appraiser opined a market rent for the subject of $2.75 per square foot of building area on a net basis, resulting in a potential gross income of $189,158 using 68,785 square feet of building area. The appraiser deducted 10% or $18,915 for vacancy and collection loss to arrive at an effective annual income of $170,243. The appraiser next deducted expenses for assumed management fees of 2% or $3,404; $.50 per square foot or $34,392 for reserves for replacement allowance; taxes of $4,440 when vacant; insurance of $688 when vacant; maintenance and repair when vacant of $6,878.

Total expenses were estimated to be $49,802 to arrive at a net annual income of $120,441.

The appraiser next estimated the capitalization rate to be applied to the subject's estimated net annual income. Using the mortgage-equity technique, the appraiser arrived at a rate of 9%. Capitalizing the net annual income by 9% resulted in an estimated value under the income approach of $1,340,000.

In developing the sales comparison approach to value, the appraiser selected four suggested comparable sales. The comparables are located in North Chicago, Lake Zurich and Waukegan, Illinois. Comparables 1 and 4 are single-tenant users like the subject. Comparable 3 is a multi-tenant building, unlike the subject. The appraiser did not disclose whether comparable 2 was a single or multi-tenant building. The comparables ranged in size from 28,000 to 86,000 square feet of building area with sites ranging in size from 33,977 to 225,641 square feet of land area, resulting in land to building ratios ranging from of 1.21:1 to 2.64:1. The buildings were built from the 1970's to 1980. Ceiling heights varied from 14 to 22 feet. Comparables 2, 3 and 4 contain 4 to 6 interior/exterior truck docks and 2 or 4 drive-in doors. The properties sold from March 2007 to October 2010 for prices ranging from $450,000 to $2,000,000 or from $16.07 to $25.28 per square foot of building area including land.

The appraiser made narrative qualitative adjustments to the sales. Comparables 3 and 4 had positive adjustments due to their 2010 sales dates, noting the market had been consistently increasing until 2008, when the credit crisis reduced demand for financing new projects. Comparable 1 has a positive adjustment for its inferior location and comparables 2 through 4 had negative adjustments for their superior location. The appraiser also made both positive and negative adjustments to the comparables for physical characteristics inducing factors that included age, condition, size, land to building ratio, floor plan, utility and construction quality. The qualitative adjustments in narrative format considered by the appraiser are found on pages 66 and 67 of appraisal report.

Based on the adjusted comparables sales, the Siegel estimated the subject property had an indicated value under the sales comparison approach of $20.00 per square foot of building area land included, resulting in a total market value of $1,375,000 using a building size for the subject of 68,785 square feet of building area.

Under reconciliation, the appraiser considered the cost approach a realistic indication of value, but expressed it was difficult to precisely estimate deprecation and was supported by the two other approaches to value. The income approach was given secondary consideration. The sales comparison approach shows direct actions of buyers and sellers and was given considerable weight in arriving at a final value conclusion. Therefore,

Siegel concluded the subject property had a market value of $1,375,000 as of January 1, 2009.

At the hearing, counsel called its first witness Temple (Tim) Smith, Jr. Smith provided testimony in connection with the subject's historic ownership and use. He also provided testimony as to the products manufactured. Smith also gave testimony regarding the building materials and ceiling heights. Smith provided testimony in connection with custom built modifications of the subject building specific to the product line like foundations, power supply and wall partitioning. He testified the subject is the last property in the United States that operates the specific use of manufacturing ferrites, which limits any potential buyers. He testified most ferrites are now manufactured in China.

Counsel next called its second witness, real estate appraiser Martin S. Siegel of S. Siegel & Associates, Ltd. Siegel holds the Member of the Appraisal Institute (MAI) designation from the Appraisal Institute and is an Illinois State Certified General Real Estate Appraiser. A list of Siegal's professional qualifications was contained in the addendum of the appraisal report. Schmitt was accepted as an expert witness. At the commencement of examination, Siegel testified he modified his final value conclusion due to a difference (error) in the square footage of the building, as requested by appellant's counsel. Siegel testified he was provided with "updated information" of the building size that as not available at the time the report was prepared. Using a building size of 74,578 square feet and the concluded value of $20.00 per square foot under the sales comparison approach, Siegel concluded a revised market value of $1,500,000.

The Board's Administrative Law Judge questioned whether all three approaches to value were recalculated and reconciled. Siegel testified he modified the final value conclusion based solely on the sales comparison approach to value, which was the primary emphasis of the final value conclusion. Siegel agreed with Smith that the subject building suffers from functional obsolescence. Siegel testified the subject is a large, dated special use building that was constructed in stages with low ceiling heights that has no fire sprinkler protection. He testified that there is virtually no other industrial development around the property and it is located in an outlying area, which would come into play in terms of the marketability of the property. He testified there are no public utilities (water) to the property. Siegel was not asked any other questions under direct examination by legal counsel with respect to the appraisal process or the three traditional approaches to value contained within the appraisal report.

Under cross-examination, Siegel testified he sometimes gathers information from the PTAX document (PTAX-203, Illinois Real Estate Transfer Declarations). Siegel agreed comparable sale 2 is located further from the subject than the other comparables

utilized, but he did not know the distance from the subject in terms of miles. Siegel testified comparable sale 3 was an industrial building, but did not know who the owner was. Siegel testified he did a "quick read" of the appraisal submitted on behalf of the board of review. With respect to comparable sale 1, Siegel agreed his report shows 28,000 square feet of building area and sold in August 2007.

The board of review submitted its "Board of Review Notes on Appeal" wherein its final assessment of the subject property of $642,674 was disclosed. The subject's assessment reflects an estimated market value of $1,955,794 or $26.25 per square foot of building area including land when applying Lake County's 2009 three year median level of assessments of 32.86%.

In support of the subject's assessment, the board of review submitted an appraisal of the subject property. The appraisal report conveys an estimated market value for the subject property of $2,100,000 as of January 1, 2009. (Exhibit 1). The appraisal was prepared by Raymond J. Schmitt of R. J. Schmitt & Associates, Inc. Schmitt holds the Member of the Appraisal Institute (MAI) designation from the Appraisal Institute and is an Illinois State Certified General Real Estate Appraiser. He also holds the Senior Residential Appraiser (SRA) designation. A list of Schmitt's professional qualifications was contained in the addendum of the appraisal report. Schmitt was accepted as an expert witness.

Schmitt determined the highest and best use as vacant would be for development of an industrial building when economically feasible. Siegel determined the highest and best use of the subject parcel as improved is its present use. Schmitt testified he measured the subject building to determine its size of 74,578 square feet of building area.

The first approach developed by Schmitt was the cost approach to value. The first step under this method was to estimate the land value as vacant using four land sales. The comparable land sales range in size from 106,286 to 246,968 square feet or from 2.43 to 5.67 acres of land area. The suggested land comparables sales were located in Gurnee, Libertyville, and Wadsworth, Illinois. Three sales had I-1 or I-2 Industrial Zoning while one comparable had E or Estate Residential Zoning. The land sales occurred from March 2005 to December 2009 for prices ranging from $280,000 to $1,112,567 or from $2.63 to $4.57 per square foot of land area. The appraiser considered differences to the comparables for date of sale, size, utilities or lack thereof, zoning and location, resulting in value indicators for the subject's land ranging from $2.50 to $3.50 per square foot of land area. The appraiser ultimately determined an estimated land value of $800,000 or $2.62 per square foot of land area applicable to the subject's 7 acres of net usable land area.

Schmitt next estimated the reproduction cost new of the subject's improvements using Marshall Valuation Service. Page 64 of the

appraisal report details the components associated with the improvements. Schmitt concluded the subject's improvements have an effective age of 30 years. The appraiser estimated the total reproduction cost of the building improvements and deprecated site improvements was $57.66 per square foot of building area or $4,300,140, which included both direct and indirect costs, with the exception of entrepreneurial profit. The report indicates that there does not appear to be any entrepreneurial profit since the estimated value under the sales comparison approach shows a value lower than the cost approach, which would indicate that it would not be economically feasible for new construction. The appraisal report depicts curable and incurable physical and functional depreciation calculations of 57% or $2,451,080. Additional functional obsolescence was estimated to be 10% or $430,014 due to subject's varying ceiling heights, varying construction materials and partitioning. Therefore, total depreciation was estimated to be $2,881,094, resulting in a depreciated reproduction cost for the improvements of $1,419,046. Adding the estimated site value of $800,000, the appraiser determined a final value conclusion under the cost approach of $2,200,000, rounded.

In developing the sales comparison approach to value, the appraiser selected five suggested comparable sales. The comparables are located in North Chicago, Gurnee and Waukegan, Illinois. The comparables are single-tenant buildings, but the report indicates comparable 2 and 4 could be used as multi-tenant buildings. The comparables are one-story industrial buildings of brick, brick and metal or metal exterior construction. The buildings range in size from 42,300 to 99,000 square feet of building area with sites ranging in size from 2.64 to 5.55 acres of land area, resulting in building to land ratios ranging from 29% to 49.6%. The age of comparable 1 was describes as "older". Comparables 2 through 5 were built from 1970 to 1980. Comparable 2 had an addition constructed in 1989. Ceiling heights varied from 16 to 22 feet. Office areas ranged from 5.2% to 16.6% of total building area. The comparables have varying shipping and receiving facilities. Comparable 1 has a mix of 7 drive-in doors and docks; comparable 2 has 4 exterior docks, 2 interior recessed docks and 2 drive-in doors; comparable 3 has 1 exterior dock and five drive-in doors; comparable 4 has 1 interior dock and 11 drive-in doors; and comparable 5 has 3 exterior docks and 3 drive-in doors. Four comparables were described as having adequate parking like the subject and one comparables was described as having inferior parking. Four comparables have fire sprinkler protection. Functional utility was described as average or better. The properties sold from March 2006 to November 2008 for prices ranging from $1,380,000 to $3,386,875 or from $29.46 to $42.11 per square foot of building area including land.

On page 76 of the report, the appraiser made qualitative (+/-) adjustments to the sales for date of sale, building size, parking, condition, office space, building to land ratio, air conditioning, clear ceiling heights, exterior construction,

sprinkler fire protection, functional utility, and utilities. Overall, comparable 1 had a positive adjustment and comparables 2 through 5 had a negative adjustment. The qualitative adjustments in grid format considered by the appraiser are found on page 76 of the report.

Based on the adjusted comparable sales, Schmitt determined the subject had a market value ranging from $27.00 to $32.00 per square foot of building area including land. Ultimately, the appraiser estimated the subject property had a value under the sales comparison approach of $2,100,000 or $28.16 per square foot of building area including land.

Schmitt next developed income approach to value using four suggested industrial rental listings. The appraisal report indicated it was difficult to find available leases as of January 1, 2009 due to a lack of good verifiable rental data for similar properties in the subject's location. The rental listings are located in Waukegan, Gurnee or Zion, Illinois, but only limited descriptions were provided. The rental comparables' land to building ratio, exterior construction, use, and design were not disclosed. Comparable listing rental 1 is comprised of 54,084 square feet of available space within a 255,418 square foot building located in a superior industrial park. Comparable listing rental 2 is a 2005 industrial warehouse that contains 66,720 square feet of building area. The building has 25,000 square feet of air conditioned space and has a superior location than the subject. Comparable listing rental 3 is comprised of 100,000 square feet of available space within a 345,232 square foot building. Features include rail access, 26 foot ceiling heights, 20 docks with doors and a large parking lot. The property has 15 acres of land area. Comparable listing rental 4 is comprised of 50,000 to 150,000 square feet of warehouse space in a newer building. Features include 30 foot ceiling heights, 16 docks with doors, fire sprinkler protection and modern air conditioned office space. The property is situated on 8 acres of land area. The lease offering rates ranged from $3.95 to $5.35 per square foot building area on a modified net or gross basis.

After considering adjustments to the rental offering for differences to the subject for location, size, building type and functional obsolescence, the appraiser concluded a market rent for the subject of $2.50 per square foot of building area on a net basis, resulting in a potential gross income of $242,379 using 74,528 square feet of building area. The appraiser deducted 10% or $18,632 for vacancy and collection loss to arrive at an effective gross income of $167,688. The appraiser next deducted expenses for real estate taxes of $4,440; $745 for insurance; $5,031 for management; $3,500 for miscellaneous expenses and $18,625 for reserves for replacement. Total expenses were estimated to be $32,341 to arrive at a net operating income of $135,347. Page 83 of the report depicts a detailed analysis of the expense amounts and their calculations.

The appraiser next estimated the capitalization rate to be applied to the subject's estimated net annual income. Using the band of investment method, the appraiser arrived at a rate of 9%. Capitalizing the net annual income by 9% resulted in an estimated value under the income approach of $1,500,000.

Under reconciliation, the appraiser gave no significant weight to the cost approach and less weight to the income approach to value. The appraiser gave most consideration to the sales comparison approach to value. Therefore, Schmitt concluded the subject property had a market value of $2,100,000 as of January 1, 2009.

Under cross-examination, Schmitt testified the ceiling heights vary throughout the subject building from 10, 14, 24 feet with one section having 40 foot ceiling heights. Schmitt agreed none of the comparable sales have 10 foot ceiling heights. Similar to the sales used by Siegel, Schmitt agreed none of the comparable sales are used to make a ferrite process in a kiln or punch press, but are used for manufacturing. Schmitt testified the subject property would have a limited market, but he did not think the property is severely limited that there could not be other manufacturing uses. Schmitt agreed the building would have to be retrofitted for modern use, but not all uses would be impeded. The testimony also disclosed the subject's 2010 and 2011 assessments were reduced to $592,000 and $610,540, respectively, based on application of township equalization factors. Zoning regulations were also discussed. The witness disagreed that he really did not know the specifics of the local zoning ordinance. Schmitt testified he could not determine whether the subject was in compliance with zoning because he was not provided with a plat of survey which should show setbacks. Schmitt agreed 97% of the subject's site is in a floodplain. Based on conversations with various unknown village officials, Schmitt disagreed that if the subject building was razed or substantially rebuilt, that it would require a special use permit from the village. He testified a building could be constructed in a floodplain, but not permissible in a floodway.

In rebuttal, the appellant submitted a copy of the Village of Wadsworth Zoning Ordinance. The appellant objected to the $800,000 land value conclusion contained in the board of review appraisal as speculative. The appellant argued 97% of the subject's site is in a floodplain and 77% of the site is located in a floodway. Based on the unbuildable condition of the property, the appellant maintains its request for a land assessment of $204,408, but due to a possible miscalculation of the building size, the appellant agreed that the assessed valuation of the building should be minimally higher than the requested amount of $253,925.

Under questioning, both appraisers testified the subject property was valued in its current configuration, fee simple interest, as value in exchange.

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 the appeal. The property Tax Appeal Board further finds no reduction in the subct assessment is warranted.

The appellant contends the market value of the subject property is not accurately reflected in its assessed valuation. The law in Illinois requires real property to be valued at fair cash value, estimated at the price it would bring at a voluntary sale. Cook County Board of Review v. Illinois Property Tax Appeal Board, 384 Ill.App.3d 472, 480, 894 N.E.2d 400, 323 Ill.Dec. 633 (1st Dist. 2008). Correspondingly, fair cash value is defined in the Property Tax Code as "[t]he amount for which a property can be sold in the due course of business and trade, not under duress, between a willing buyer and a willing seller." (35 ILCS 200/1-50). Fair cash value is synonymous with fair market value. Cook County Board of Review v. Illinois Property Tax Appeal Board, 384 Ill.App.3d 472, 480 (1st Dist. 2008). The Supreme Court of Illinois has construed "fair cash value" to mean what the property would bring at a voluntary sale where the owner is ready, willing, and able to sell but not compelled to do so, and the buyer is ready, willing, and able to buy but not forced to so to do. Springfield Marine Bank v. Property Tax Appeal Board, 44 Ill.2d 428 (1970). 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 evidence in the record does not support a reduction in the subject's assessment.

In support of its contention of the correct assessment, the appellant submitted an appraisal estimating the subject property had a market value of $1,350,000 as of January 1, 2009. The appraisal was prepared by Martin S. Siegel of S. Siegel & Associates, Ltd. However, at the hearing, Siegel modified the value conclusion to $1,500,000 based on "new information" regarding the building size as requested by counsel. Appellant's counsel stipulated to a building size of 74,578 square feet of building area as calculated by the board review's appraiser and depicted on the subject's property record card maintained by Lake County Assessment Officials. The appellant's counsel further argued the subject's value is diminished due to zoning restrictions regarding the amount of buildable land due to the presence of a floodplain, flood way and wetlands, which prohibits the potential to expand or rebuild on the site. The Board of review submitted an appraisal estimating the subject property had a market value of $2,100,000 as of January 1, 2009. The appraisal was prepared by Raymond J. Schmitt of R. J. Schmitt & Associates, Inc.

The Board finds that both appraisers indicated the property rights being appraised were the fee simple interest. The Board finds that both appraisers agreed that the highest use of the subject property as improved was for its current or existing

industrial/manufacturing use. Considering these factors, the Board finds appellant's counsel's argument that the subject's value is diminished due to zoning restrictions regarding the amount of buildable land and the potential to expand or rebuild on the site is not supported by either expert witness or their respective value conclusions. The Board finds counsel's arguments are speculative in nature and not supported by any credible evidence in this record. Additionally, the Board finds counsel's arguments are further undermined by its own expert. The appellant's appraisal report under Highest and Best Use, legality of use, provides:

> The subject property is zoned L1, Light Industrial District as well as Ag, Agriculture District which allows for industrial uses. It appears that the subject property would represent a legal and conforming use under current zoning. (Siegel Appraisal, p.36).

Both appraisers described the subject as a being improved with an older industrial building with functional obsolesces due to its floor plan, varying ceiling heights and construction. Under the cost approach, both appraisers agreed the subject site has 30.49 acres, but had differing opinions regarding the amount of "usable" or "buildable" land. The appellant's expert witness calculated 19.20 acres of net usable land while the board of review's expert calculated a site of approximately 7-acres of net usable land area.

The Board finds Schmitt's estimate of land size of 7-acres or 304,920 square feet of net usable or buildable land to be more credible and better supported. The Board finds Schmitt reasonably considered and deducted approximately 23 acres of land area associated with the wetlands and floodway contained on the subject parcel. The Board finds unlike the Siegel appraisal, Schmitt's report contained detailed maps and credible documentation to support a net usable land area of 7-acres. (See pages 28, 29 and 33 through 39 of appraisal report). The Board finds that in this appeal, Siegel did not adequately consider the land contained in wetlands and floodway in calculating the subject's net usable site area of 19.20 acres. (See page 26 of appraisal). Siegel deducted only the amount of land associated with a forest preserve easement and water detention areas[2]. As a result, the Board finds the methodology employed by Siegel and the $960,000 land value conclusion under the cost approach to be unpersuasive and less credible to that of Schmitt. In reviewing the land sales, the Board finds Siegel selected land sales, three of which had dissimilar zoning than the subject and one land sale that was considerably larger in size than the subject. The one similar land sale used by Siegel was an industrial zoned site that contained 8-acres of land area, but was located in a superior business park. It sold in July of 2008 for $554,253 or $69,291 per acre.

[2] Under questioning, Siegel testified that the water detention area (Aerobic Lagoon Sewer Sanitation System) was integral to the building operations.

The Board further finds the land value conclusion determined by Schmitt to be better supported and more credible. The Board finds Schmitt selected four land sales, three of which had similar industrial zoning as the subject and were similar in size to the subject. These properties sold for prices ranging from $280,000 to $1,112,567 or from $2.63 to $4.57 per square of land area. The Board finds Schmitt appropriately adjusted the land sales for their superior location, utilities, zoning and date of sale in arriving at a value conclusion of $800,000 or $2.62 per square foot of net usable land area

The two appraisers also developed the depreciated reproduction cost approach to value. Siegel concluded a value of $1,385,000 while Schmitt determined of value of $2,200,000 inclusive of land. Neither appraiser placed significant weight on the estimate(s) of value due to the subject's age, configuration, functional utility and estimates of depreciation from all causes. However, in reviewing both value estimates under the cost approach, the Board finds Schmitt's analysis to be more detailed to that of Siegel. (See page 48 of Siegel appraisal and page 64 of the Schmitt appraisal). In addition, the Board finds Siegel's physical deprecation in the amount of 75% or $3,200,079 is unpersuasive given the fact the subject had an addition constructed in 1995. The Board finds Schmitt's physical depreciation amount of 57% or $2,451,080 is more credible in consideration of the subject's actual and effective age. As a final point, the Board finds Siegel utilized an incorrect building size for the subject property, which further undermines the credibility of the final value conclusion under the cost approach.

Both appraisers also developed an estimate of value using the income approach to value. Schmitt stated within his appraisal report that a search for recent leases of industrial space similar to the subject property resulted in insufficient comparable data to utilize the income capitalization approach; therefore, he utilized four rental listings in developing the income approach to value. Siegel also used four rental comparables. The Board finds both appraises concluded similar rental rates of $2.75 and $2.50 per square foot of building area, respectively. However, again, Siegel used an incorrect building size, thereby, underestimating the subject's potential gross income. Both appraisers utilized similar vacancy rates and most expenses, but differed in the amounts allocated for reserves for replacement. Siegel calculated reserves in the amount of $.50 per square foot of building or $34,392 because the building is near the end of its economic life. However, page 51 of the appraisal indicates typical reserves for replacement was $.05 to $.15 per square foot, depending on the structure. Schmitt calculated reserves for replacement in the amount of $.25 per square foot or $18,625 using the correct building size of 74,528 square feet. The appraisal report indicates the owner of the subject property stated some sections of the roof had been reconditioned. Given these facts, the Board finds Schmitt's calculation of reserves for replacement is better supported

resulting in a net operating income of $135,347. Both appraises used the same capitalization rate of 9%. Based on this analysis, the Board finds Schmitt's value conclusion is more persuasive and better reflects the subject's fair market value at $1,500,000 under the income approach to value.

Both appraisers developed the sales comparison approach to value and gave primary weight to this method in estimating the market value of the subject property. 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. In developing the sales comparison approach Siegel used four suggested comparable sales, while Schmitt utilized five suggested comparable sales. Siegel initially concluded an estimated market value of $1,375,000 or $20.00 per square foot of building including land using 68,785 square feet of building area. However, at the hearing Sigel modified the value opinion to $1,500,000 or $20.11 per square foot of building area including land based on a stipulated building size of 74,578 square feet. Schmitt concluded an estimated market value of $2,100,000 or $28.16 per square foot of building area including land.

The Board gave less weight to the opinion of value concluded by Siegel. The Board finds Siegel utilized an incorrect building size for the subject property before modifying his opinion of value at the hearing, which again undermines the veracity and validity of the appraisal report. The Board finds the appellant's appraiser failed to provide any new calculations under the sales comparison approach to support the modified opinion of value. Additionally, the Board gave little weight to comparables 1 and 3 used by Siegel. Comparable 1 is a smaller industrial building located on a considerably smaller .78 acre site than the subject's 7-acres of net usable land area. Comparable 3 is a multi-tenant building, unlike the subject's owner occupied single-tenant use. The two more similar sales used by Siegel sold for unadjusted prices of $1,800,000 and $1,167,000 or $21.06 and $25.28 per square foot of building area including land. Even after considering logical adjustments to these two more similar comparables for differences when compared to the subject, the Board find Siegel's modified value conclusion of $1,500,000 or $20.11 per square foot of land area is not supported.

The Board finds the value conclusion determined by Schmitt to be better supported than Siegel's value conclusion based on the comparable sales and testimony elicited at hearing. In reviewing the comparables, the Board finds they are more similar to the

subject in single user tenancy, age, parking area, condition, net usable land area, percentage of office space, docks and overhead doors, clear ceiling heights, utilities and functional utility. These properties sold for unadjusted sale prices ranging from $1,380,000 to $3,386,875 or from $29.46 to $42.11 per square foot of building area including land. The Board finds the board of review's appraiser made competent, logical and reasonable qualitative adjustments (see page 76 of appraisal report) to the comparables for differences when compared to subject in arriving at the final opinion of value of $2,100,000 or $28.16 per square foot of building area including land.

Considering the totality of the evidence in this record and giving more deference to Schmitt's value conclusion under the sales comparison approach, the Board finds that the subject property's estimated market value of $1,955,794 or $26.25 per square foot of building area including land as reflected by its assessment is supported. Therefore, the Board finds no reduction in the subject's assessment 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: February 22, 2013

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.