



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

APPELLANT: Harris N.A.  
DOCKET NO.: 09-04000.001-C-2  
PARCEL NO.: 09-05-279-003

The parties of record before the Property Tax Appeal Board are Harris N.A., the appellant, by attorney Thomas J. McCracken, Jr. of Thomas J. McCracken, Jr. & Associates in Chicago; and the Kane 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 Kane County Board of Review is warranted. The correct assessed valuation of the property is:

**LAND:** \$383,295  
**IMPR:** \$129,679  
**TOTAL:** \$512,974

Subject only to the State multiplier as applicable.

**Statement of Jurisdiction**

The appellant timely filed the appeal from a decision of the Kane County Board of Review pursuant to section 16-160 of the Property Tax Code (35 ILCS 200/16-160) challenging the assessment for the 2009 tax year. The Property Tax Appeal Board finds that it has jurisdiction over the parties and the subject matter of the appeal.

**Findings of Fact**

The subject property consists of a one-story bank building of masonry construction that contains 4,774 square feet of building area on a poured, reinforced concrete foundation. The building was constructed in 2004. Features of the building include a lobby with general open office area and teller counters. Other features include private offices, a small conference room, a

copy/storage room, a break room, two restrooms, central air conditioning and one vault for safe deposit boxes and teller cash. The property also has a drive-through with six lanes served in part by four lanes having a pneumatic tube system, with one lane having an ATM and one lane being a pass through. The drive-through has a 2,363 square foot canopy. The site has approximately 35,000 square feet of asphalt-paved parking and is striped to accommodate 28 cars. The property has a 71,656 square foot site and is located at 473 Redington Drive, South Elgin, St. Charles Township, Kane County.

At the beginning of the hearing, the appellant made three motions for the Property Tax Appeal Board's ruling.

Motion #1 was to strike the board of review's evidence regarding an assessment equity grid analysis and property record cards relative to those comparables based on the appellant's argument being market value and not based on assessment equity. The objection is sustained due to the fact the basis of the appellant's appeal is overvaluation and not assessment equity.

Motion #2 was an objection to evidence that was submitted by the assessor or board of review based on an excerpt from an appraisal which relates to a different property. This motion is overruled, the motion goes to the weight of the evidence rather than admissibility.

Motion #3 was an objection to the board of review submitting 2011 sales. The appellant's attorney argued those sales are not relevant and immaterial and should not be considered by the Property Tax Appeal Board based on the year at issue and valuation date of January 1, 2009. This motion is overruled, the motion goes to the weight of the evidence rather than admissibility.

The appellant appeared before the Property Tax Appeal Board by counsel contending overvaluation as the basis of the appeal. In support of this argument the appellant submitted an appraisal prepared by Charlie Hynes, Michael J. Urban and Frank C. Urban of Frank C. Urban & Co. estimating the subject property had a market value of \$1,540,000 as of January 1, 2009. The appellant called as its witness Frank C. Urban.

Urban is a State of Illinois Certified General Real Estate Appraiser. Urban stated he conducted a 2009 appraisal of the subject property. He described the subject property as a bank branch built in 2004 containing 4,774 square feet. It has a

land to building ratio of 15 to 1 and a drive through operation. Urban testified that a significant portion of the site area is setbacks so it does not have a very high parking ratio commensurate with the land to building ratio.

Urban determined the highest and best use of the property as improved was continued use as a bank. In estimating the market value of the subject property the cost approach, income capitalization approach and the sales comparison approach were developed.

Under the cost approach to value the appraiser first estimated the land value using four sales located in South Elgin or Elgin. The comparables ranged in size from 52,098 to 119,354 square feet of land area. The land comparable sales sold from June 2008 to April 2009 for prices ranging from \$950,000 to \$1,569,728 or from \$13.15 to \$18.23 per square foot of land area. Based on this data the appraiser estimated the subject had a site value of \$16.00 per square foot of land area or \$1,150,000, rounded.

The Marshall Valuation Computerized Cost Service was used to estimate the replacement cost new of the building improvements to be \$892,165 or \$186.88 per square foot of building area. To this amount \$170,000 was added for the canopy and drive-through equipment to arrive at a replacement cost new of the building improvements of \$1,062,165. Indirect costs of 2% were added to arrive at a total for direct and indirect costs of \$1,083,408. The appraiser estimated entrepreneurial profit of 8% or \$86,673, which was added to arrive at a total replacement cost new of \$1,170,081.

Physical depreciation was calculated to be \$117,008 using the age-life method with the subject having an effective age of 5 years and an economic life of 50 years. The appraiser determined the subject had no functional obsolescence. In estimating external obsolescence, the appraisers indicated in the report that the sum of the subject's estimated land value and the depreciated value of the building and site improvements was \$2,270,289. They determined the income necessary to support this estimated value was \$188,434 based on a capitalization rate of 8.3%. The appraisers calculated the net operating income to be \$125,341, which was \$63,093 below what was needed. Capitalizing the income deficiency by 8.3% resulted in external obsolescence of \$760,553 or 65.0% of the replacement cost new. Accrued depreciation totaled \$877,561.

The appraiser estimated the site improvements of asphalt-paved parking with related improvements such as concrete sidewalks and landscaping had a contributory value of \$67,216. Subtracting the accrued depreciation from the replacement cost new and adding the site improvements and land value resulted in an estimated value under the cost approach of \$1,510,000 or \$316.30 per square foot of building area, including land.

The next approach developed was the income capitalization approach. In estimating the market rent, recent leases and active listings of bank branches, office space in bank branch and a restaurant in the subject's general market area were considered. The comparables were located in St. Charles, Lake-In-The-Hills, South Elgin and Batavia. Rental comparables #1, #3, #4 and #5 were improved with one-story bank branches or a one-story restaurant that ranged in size from 4,702 to 6,501 square feet and were built in 2004 or 2005. Three properties each had a 5-lane drive-through. The comparables had land-to-building ratios ranging from 6.0:1 to 10.8:1. These four comparables had asking rents of \$23.00 and \$38.00 per square foot of building area on a net basis. Comparable #2 was a two-story bank branch with the second-floor office space renting for \$14.00 per square foot of building area on a net basis. The lease for comparable #2 was entered in August 2008. Urban estimated the subject's market rent to be \$30.00 per square foot on a net basis resulting in a potential gross income of \$143,220.

The appraisal report stated that Marcus & Millichap Retail Research Market Update, Second Quarter 2009, reported an overall suburban vacancy of 10.4% in the First Quarter 2009. Also in the report, CB Richard Ellis Marketview, Chicago First Quarter 2009, reported a vacancy rate of 11.0% for retail properties in the Chicago market area. In the West Suburban Market, the rate was 6.4% and in the Far West Suburban Market it is 10.8%. The appraiser also indicated in the report that in the subject's Kane County submarket the vacancy rate was 14.1%. The report further stated that due to the subject's good corner exposure and location along Randall Road the appraisers stabilized the subject's vacancy and collection loss at 7.0% of potential gross income or \$10,025, resulting in an effective gross income of \$133,195.

The appraisers then deducted expenses for a management fee, reserves for replacement and leasing commissions totaling \$7,854 to arrive at an estimated net operating income of \$125,341. As support for their conclusion of the various expenses the

appraisers cited Price Waterhouse Coopers, in Korpacz Real Estate Investors Survey, First Quarter 2009.

The next step in the income approach was to estimate the capitalization rate. The band of investment method and published sources were used to estimate an overall capitalization rate of 8.3%. Capitalizing the net income of \$125,341 resulted in an estimated value under the income capitalization approach of \$1,510,000, rounded or \$316.30 per square foot of building area, including land.

The final approach developed was the sales comparison approach to value. Four comparable sales and two listings were used in this approach. The comparables were located in Aurora, St. Charles, South Elgin and West Chicago. These properties were improved with branch bank buildings or retail/restaurants that ranged in size from 1,585 to 5,660 square feet of building area and were constructed from 1979 to 2004. Each comparable was improved with a one-story or part one-story and part two-story building. The comparables had land-to-building ratios ranging from 5.1:1 to 22.8:1. Comparables #1 through #4 sold from March 2006 to December 2008 for prices ranging from \$450,000 to \$1,500,000 or from \$265.02 to \$339.58 per square foot of building area, including land. Comparables #5 and #6 had listing prices of \$1,200,000 and \$1,100,000 or \$371.86 and \$366.67 per square foot of building area, including land. The appraiser compared the comparables to the subject property and made adjustments for such items as sale conditions, size, location, age/condition, drive-through, land-to-building ratio and parking. The appraiser estimated the subject property had an indicated value under the sales comparison approach of \$1,550,000 or \$325.00 per square foot of building area, including land.

In reconciling the three approaches to value minimal weight was given the cost approach, the income approach was considered a reliable indicator of value and was afforded ample consideration and the sales comparison approach was considered a reliable indicator of value and afforded primary consideration. Urban testified for this type of property in a fee simple capacity, an investor would be looking at it from the sales comparison approach standpoint. The appraiser estimated the subject property had a market value of \$1,540,000 as of January 1, 2009.

Based on this evidence the appellant requested the subject's assessment be reduced to \$513,282 to reflect the appraised value.

Under cross-examination, Urban first testified that he conducted an interior and exterior inspection of the subject property. Urban testified that he had experience appraising bank branches. Urban testified he did not use \$23 per square foot in the calculation for net rent used in the external obsolescence; he used the net income determined in the income approach. He then explained they looked at available leases for bank branches and other comparable properties and deducted out market expenses. The conclusion for rent was \$30 per square foot. Urban testified that the market area is mixed. The subject benefits from good quality retail properties, good traffic flow, but also has very low barriers to entry. Urban testified there is a lot of vacant land in the area and depending on development in the future, you could end up with significant new supply added very quickly. Urban testified that they were seeing a lot of weakness as of January 1, 2009 in the bank branch market with a weak economy. Urban testified that \$760,553 for external obsolescence is a reasonable number.

With respect to his rental comparables, Urban indicated that the first four were vacant bank branches at the time. Urban responded that his fifth comparable was a restaurant building and was chosen based on similar construction and a good land to building ratio. The address for rental comparable #5 indicates that the property was located very close to the subject. Urban testified that it was not the best comparable but it merited weight. Urban stated the first four comparables, particularly comparables #1, #3 and #4 are the most similar in the context of the property's highest and best use, the construction quality of the building and layouts of the property. Rental #5 is clearly the most similar with location, so weight was given to each comparable. Urban testified the property rights appraised were the fee simple interest, meaning free of any encumbrances, so they were not looking at leases.

With respect to the sales comparison approach comparable #1 was an inferior location in Aurora. It was a good comparable because as of January 1, 2009 there was a downturn in the branch market and they were not seeing closed sales of fee simple interest of bank properties. Comparable #2 was a former bank branch and was given a lot of weight in the analysis. This comparable had an inferior location but more consideration was given to the low land to building ratio. Comparable #3 is a restaurant with two tenants. Urban testified this transaction was not a leased fee sale; the property was vacant and was converted after the sale. The witness asserted comparable #4's

location is very similar to the subject property. As with other restaurant properties, this property had a good land to building ratio, similar age and fairly similar construction quality.

Urban testified he could have chosen leased fee comparables only if he had detailed information about the leases. Urban had access to the actual rental rates but no information about the termination agreements.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the total assessment for the subject of \$749,925. The subject's assessment reflects a market value of approximately \$2,251,351 or \$471.59 per square foot of building area, land included, when using the 2009 three year average median level of assessment for Kane County of 33.31% as determined by the Illinois Department of Revenue.

In support of its contention of the correct assessment the board of review submitted a narrative from the township assessor relating to the appellant's appraisal, an assessment equity grid containing six similar bank facilities and three additional bank sales, which sold in April or May 2011. The board of review submitted the sales comparison approach from a 2010 appraisal of a property other than the subject which contained six properties that sold from July 2007 to August 2010 for prices that ranged from \$556,500 to \$4,835,000 or from \$265.02 to \$882.57 per square foot of building area. Also submitted were property record cards, PTAX-203 forms and nine additional bank sales that sold from January 2006 to December 2008 for prices ranging from \$450,000 to \$5,175,000 or from \$283.91 to \$894.74 per square foot of building area.

The board of review called as its witness David Medlin, St. Charles Township Deputy Assessor. In rebuttal, Medlin testified that sales used in the appraisal had alternative uses either as an office or a medical office. Medlin testified appraisal sale #2 was remodeled into a Diamond Mart and the other sales were of retail or other combination of restaurants and not the same use as the subject, which is still a bank. It was Medlin's opinion if there are no transactions out there of banks that were selling as banks; you try and use the best data. Medlin testified the added sales in his report were selected for the purpose of showing the reasonableness of the data that was given to try and appeal the fair cash value of the subject property. The witness explained there were no other sales in the township other than a sale at 2402 Main Street, St. Charles and the aforementioned Diamond Mart, which is no longer a bank. Medlin

testified that he could not think of any sales in that time frame that would be specific to use. Medlin stated the sales from the 2010 appraisal and the additional bank sales were to determine if the subject's market value was reasonable. Medlin testified that he was trying to show additional support for the value.

Under cross-examination, Medlin testified that he was not privy to any of the terms of the leases for the sales that were referenced in an excerpted 2010 appraisal and he could not make any adjustments for a fee simple value. Medlin testified that he reviewed CoStar to see if any of the sales from the excerpted 2010 appraisal were reported as leased fee sales. Sale #1 at 121 North Barrington Road in Schaumburg is reported as one branch in an eight property nationwide portfolio sale. Sale #2 was a bank branch that was torn down and now has a dental office. Sale #3 was an encumbered ground lease. Sale #4 located at 2402 West Main Street, St. Charles and has already been discussed. Sale #5 is located at 635 Randall Road in Elgin that Medlin believed was a Bank of America branch, which was reported as leased and sold by one investor to another. Sale #6 is located at 2019 Dean Street, St. Charles and has already been discussed.

Under cross-examination by the Administrative Law Judge, Medlin testified that he did not know if any of the sales from the excerpted 2010 appraisal were leased fee transactions.

Under re-direct examination, from the excerpted 2010 appraisal sales, Medlin did not recall what responses he received from phone calls he made about the sales. The sales were looked at three years ago. Medlin testified when he reviewed the sales, he did not go beyond what CoStar had reported.

Under further cross-examination from the Administrative Law Judge, Medlin testified that he did not research all of the sales that were submitted in the report.

### **Conclusion of Law**

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 (3<sup>rd</sup> Dist. 2002), 86 Ill.Admin.Code §1910.63(e). Proof of market value may consist

of an appraisal of the subject property, a recent sale, comparable sales or construction costs. 86 Ill.Admin.Code §1910.65(c). The Board finds the appellant met this burden of proof and a reduction in the subject's assessment is warranted.

The Board finds the best evidence of market value to be the appraisal submitted by the appellant and the testimony provided by the appraiser, Frank C. Urban, estimating the subject property had a market value of \$1,540,000 or \$303.73 per square foot of building area, including land, as of January 1, 2009. The subject's assessment reflects a market value of \$2,251,351 or \$471.59 per square foot of building area, land included, which is above the appraised value.

The appraisal contained three approaches to value to support the market value conclusion. With respect to the cost approach the appraisal included land sales to support the land value. The appraisal also included a detailed description of the cost new calculations and an analysis of the physical depreciation and external obsolescence the subject improvements suffered. In contrast the board of review provided no land sales and no descriptive evidence with respect to developing the cost new and the depreciation analysis to rebut this aspect of the appellant's evidence. The Board finds the cost approach developed by the appellant's appraiser, although given minimal weight, was more credible than the cost approach contained on the subject's property record card submitted by the board of review.

With respect to the sales comparison the appraiser made adjustments to the sales and listings for sale conditions, location, drive-through, age, condition and land-to-building ratio. In contrast, the board of review provided 15 properties which sold from January 2006 to August 2010 for sale prices ranging from \$450,000 to \$5,175,000 but did not adjust for differences when compared to the subject property. The assessor also provided information on three sales which sold in April and May 2011, which is less indicative of fair market value as of the subject's January 1, 2009 assessment date. Based on this record the Board finds the sales comparison approach developed by the appraiser was better supported and more credible than the raw sales provided by the board of review.

In the income approach to value the appraiser provided rental comparables to support the estimate of market rent and used two methods to estimate the capitalization rate to be applied to the net income. The Board finds the board of review provided no

data or rental comparables to challenge the market rent, vacancy and collection loss or expenses used to calculate the net income. Furthermore, the board of provided no evidence to challenge the capitalization rate developed by the appraiser. Based on this record the Board finds the board of review did not refute or rebut the estimate of value under the income approach developed by the appellant's appraiser.

In summary, after considering the evidence and testimony provided, the Board finds the best evidence of market value in this record was presented by the appellant. Based on this record the Board finds the subject property had a market value of \$1,540,000 as of January 1, 2009. Since market value has been determined the 2009 three year average median level of assessment for Kane County of 33.31% shall apply. (86 Ill.Admin.Code §1910.50(c)(1)).

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.

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Chairman



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Member



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Member

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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: April 24, 2015



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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.