FINAL ADMINISTRATIVE DECISION
ILLINOIS PROPERTY TAX APPEAL BOARD

APPELLANT: Albuquerque, L.C.
DOCKET NO.: 10-01375.001-C-1
PARCEL NO.: 17-10-300-008

The parties of record before the Property Tax Appeal Board are Albuquerque, L.C., the appellant, and the Rock Island 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 **Rock Island** County Board of Review is warranted. The correct assessed valuation of the property is:

LAND:	$107,512
IMPR.:	$143,738
TOTAL:	$251,250

Subject only to the State multiplier as applicable.

ANALYSIS

The subject property is improved with two wood frame and brick veneer multi-tenant office buildings. The structures were built in 1978 and contain a total of 13,242 square feet of building area. One building is two-stories with a one-story addition and contains approximately 9,642 square feet of gross building area.[1] The second building is a one-story structure and contains approximately 3,600 square feet of gross building area. In addition, there is a large double-sided outdoor advertising sign on the parcel which pays rent to the property owner. The property has a 72,135 square foot site which is further improved with 96 asphalt paved parking spaces. The property is located in Moline, South Moline Township, Rock Island County.

The appellant's appeal is based on overvaluation. In support of this argument, the appellant submitted an appraisal estimating

[1] The board of review included a copy of the subject's property record card depicting this first building as a one-story with a finished basement plus the addition of 660 square feet on a slab foundation. The schematic drawing reveals two buildings with a total of 8,760 square feet of above-grade building area with an additional 4,500 square feet of basement area. However, the building information on the property record card sets forth 5,160 square feet as the total building area. Given the inconsistencies of the property record card, the Property Tax Appeal Board finds the appellant's appraiser set forth the best descriptive data of the subject buildings and has primarily utilized that information for this decision.

the market value of the leased fee interest[2] in the subject property as $630,000 as of August 16, 2010. The appraisal was prepared by Kevin M. Pollard, a State of Illinois Certified General Real Estate Appraiser. The purpose of the appraisal was for a financial institution which was evaluating the property as collateral for a proposed loan. In estimating the market value of the leased fee interest in the subject property, the appraiser developed the income and the sales comparison approaches to value.

The appraiser also developed a land value estimate for the subject property of $550,000. To arrive at this conclusion, the appraiser analyzed four land sales located in either Moline or Bettendorf, Iowa. The comparables range in size from 32,528 to 97,662 square feet of land area and sold between August 2008 and July 2010 for prices ranging from $225,000 to $682,000 or from $6.92 to $10.16 per square foot of land area. Next the appraiser outlined adjustments for differences from the subject in location, topography/shape, size and/or access to arrive at adjusted sales prices ranging from $7.61 to $9.65 per square foot of land area. Based on this data, the appraiser estimated the subject parcel had an estimated value between $7.61 and $7.68 per square foot of land area resulting in a final land value conclusion of $550,000, rounded.

Using the sales comparison approach, the appraiser provided information on four comparable sales located in either Moline or Bettendorf, Iowa. The comparables are described as office buildings of frame or frame and masonry construction that range in size from 4,320 to 10,400 square feet of building area. They were constructed from 1978 to 1988 and were in either average or good condition at the time of sale. The comparables have sites ranging in size from 14,061 to 79,671 square feet of land area and have land-to-building ratios ranging from 3.25:1 to 8.93:1. These comparables sold from March 2008 to May 2010 for prices ranging from $360,000 to $825,000 or from $58.58 to $84.05 per square foot of living area, including land. After making adjustments to the comparables for differences from the subject in location, age/condition, building size, land-to-building ratio and other factors, the appraiser estimated the comparables had adjusted prices ranging from $54.63 to $58.33 per square foot of living area, including land. After giving reduced weight to the highest adjusted sale price, which was the oldest sale price, the appraiser opined a value of $725,000 or $54.75 per square foot of gross building area, including land. The income without any expenses to the owner of the outdoor advertising sign revenue of $2,500 per year has been capitalized at 10% for a contributory value of $25,000 for a total value of $750,000.

[2] The report defined a Leased Fee Interest as "the ownership interest held by the lessor, which includes a right to the contract rent specified in the lease plus the reversionary right when the lease expires." [citation omitted] (Appraisal, p. 2).

In addition to the foregoing sales, the appraiser reported discussing the subject property with two local commercial brokers. Reportedly the brokers felt that marketing a multi-tenant office building "in this economy" would be difficult, and that maintaining the current occupancy would be crucial to its pricing. The brokers reportedly also opined that the income generated by the outdoor advertising sign was relatively safe due to its highly visible location and the average daily traffic counts on the nearby road.

The appraiser also described the subject as being well-located and having a relatively good history of occupancy. At the time of the report, the appraiser reported the buildings were 89% occupied.

Under the income approach and in valuing the leased fee interest of the subject property, the appraiser analyzed the leases of the five tenants in the subject, noting additionally that one of the suites was vacant. The five existing leases at the subject property are either $9.00 or $12.26 per square foot with the most recent lease, which began in November 2009, being at $9.00 per square foot. The vacant space is also being offered at $9.00 per square foot. The highest lease is on a month-to-month basis. Each is a gross lease with the owner paying the taxes, insurance and common area maintenance; tenants pay utilities and interior maintenance. The appraiser noted that three of the five leases in the subject property were negotiated within the past two years at the same rental rate and thus it is the appraiser's opinion "that they are representative of market rent."

Based on the rent roll, the subject indicates a total rental income of $102,769 for the currently leased space and filling the vacant space would add another $12,600 resulting in a potential gross income of $115,369 at 100% occupancy. The appraiser also noted the ground lease for the outdoor advertising sign which generates $2,500 annually.

Next, the appraiser reported that the subject is currently experiencing a vacancy rate of 11.09%, "which is typical of the office market." On a stabilized basis, the appraiser included an allowance of 10% for vacancy, excluding the outdoor advertising sign income, or $11,537 resulting in effective gross income of $106,332.

The appraiser reported that the owner only provided expenses for calendar year 2009 totaling $13,357 which the appraiser noted "appear to be reasonable." Management fees were not included in the data, but reportedly are typically from 3% to 5% of gross income. The appraiser thus deducted combined expenses of $13,357, real estate taxes of $24,014 and a management fee of $3,190 along with $2,648 for replacements for reserves which resulted in net income of $63,123.

The appraiser then considered sale #1's capitalization rate of 10.90% and data from RealtyRates.com's 2nd Quarter Investor Survey with overall rates of 9.49% for Suburban Office Buildings in larger metropolitan areas. Based on available data, the appraiser applied an overall capitalization rate of 10%. This analysis resulted in an indicated value for the subject by the income approach of $630,000, rounded.

In reconciling the two approaches to value, the appraiser gave most weight to the income approach as it was "felt to be most reflective of the value of the leased fee interest in the property." The appraiser further wrote that the sales comparison approach to value was much higher, "but is not reflective of the income being generated by the leases." Finally, Pollard noted that the land value estimate tends to indicate that the improvements may be nearing the end of their economic lives.[3]

Based on this evidence, the appellant requested a reduction in the subject's total assessment to $210,000 which would reflect a market value of approximately $630,000.

The board of review submitted its "Board of Review Notes on Appeal" wherein the subject's total assessment of $274,248 was disclosed. The subject's assessment reflects a market value of $818,651 or $61.82 per square foot of building area, including land, when applying the 2010 three year average median level of assessment for Rock Island County of 33.50% as determined by the Illinois Department of Revenue. (86 Ill.Admin.Code §1910.50(c)(1)).

The board of review submitted a three-page letter with various comments and criticisms of the appellant's appraisal and a discussion of evidence gathered by the township assessor. The assessor's analysis depicts the subject as having 13,260 square feet of building area. Initially, the board of review noted that the appraisal was not prepared for ad valorem assessment purposes and was not providing a value as of January 1, 2010. The board of review further noted that the subject sold in May 2001 for $940,000 as reported in the appraisal report.

The closest land sales in proximity in the appraisal were for $6.95 per square foot of land area. The land sale comparables also differ greatly in size from the subject according to the board of review. As to the comparable sales, the board of review noted that the prices vary widely. While the appellant's appraiser relied primarily upon the income approach in arriving at a value conclusion, the board of review notes that case law supports relying most heavily upon the sales comparison approach in valuing property for assessment purposes. The board of review asserts that the lowest adjusted sale price determined by the appellant's appraiser was $54.63 per square foot which, when applied to the subject's size, reveals a value of approximately $723,410 which is greater than the appraiser's value conclusion.

[3] In the highest and best use analysis on page 5 of his report, the appraiser found that no more profitable use of the property has been identified and the existing buildings are considered to be the most productive use of the site.

In support of the subject's assessment, the board of review submitted information gathered by the South Moline Township Assessor. In a spreadsheet, the assessor presented data on five comparable sales, where comparables #2 and #5 were the same properties presented by the appellant's appraiser as sales #1 and #4. The comparables are improved with frame, brick, concrete block or stucco constructed buildings that were built between 1978 and 1998. The buildings range in size from 3,600 to 21,780 square feet of building area. The comparables sold from March 2008 to September 2010 for prices ranging from $360,000 to $3,050,000 or from $83.33 to $238.89 per square foot of building area, including land. The board of review argued that its comparable #3 was most similar to the subject in building size, although the properties differ in age. Depending upon an age adjustment ranging from 5% to 20%, the board of review contends the subject is still not entitled to a reduction in its assessment on a market value argument.

The assessor also prepared a spreadsheet with five equity comparables. The Property Tax Appeal Board finds that submission of equity comparables in response to the appellant's market value argument is not responsive and the board of review's additional equity data will not be further addressed herein.

Based on this evidence, the board of review requested confirmation of the subject's assessment.

After reviewing the record and considering the evidence, the Property Tax Appeal Board finds that it has jurisdiction over the parties and the subject matter of this appeal. The Board further finds a reduction in the subject's assessment is warranted.

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 (3rd 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 appellant submitted an appraisal of the subject property wherein the market value of the leased fee interest in the subject property was determined. While Pollard developed both the income and sales comparison approaches to value, only the sales comparison approach was performed to arrive at a fee simple value for the subject property. Section 9-145 of the Property Tax Code provides in part that except in counties with more than 200,000 inhabitants that classify property, property is to be valued at 33 1/3% of fair cash value. (35 ILCS 200/9-145(a)). 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). 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). In this regard it is noted that the appellant's appraiser's value conclusion specifically was developed to arrive at a market value of the leased fee interest in the subject property. As such, the appraiser noted that the value conclusion in the sales comparison approach was "not reflective of the income being generated by the leases."

The Property Tax Appeal Board finds that fee simple is equivalent to fair cash value and therefore, the Board could only consider the appraiser's fee simple determination and cannot consider the leased fee determination made by Pollard in his appraisal report. Moreover, 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 (2nd Dist. 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 (5th Dist. 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. The Board also finds there are credible market sales contained in this record. Thus, the Board placed most weight on this evidence.

In light of the foregoing, the Board finds the best evidence of market value to be the sales comparison approach in the appraisal of the subject property submitted by the appellant. The sales utilized by the appraiser were similar to the subject in location, size, style, exterior construction, features, age and/or land area. These properties also sold proximate in time to the assessment date at issue. The value conclusion of $750,000 or $56.64 per square foot of building area, including land, is below the market value reflected by the assessment. Less weight was given to three of the comparable sales presented by the board of review due to differences from the subject in size and/or age. The most similar sales to the subject were board of review comparables #2 and #3. These unadjusted sale prices were $84.88 and $87.88 per square foot of building area. Each of these structures was newer than the subject by 9 and 14 years, respectively. Moreover, Pollard analyzed board of review sale #2 in the sales comparison approach and arrived at an adjusted sale price of $55.53 per square foot of building area, including land, for this property.

Based on this record the Board finds the subject property had a market value of $750,000 as of January 1, 2010. Since market value has been determined the 2010 three year average median level of assessment for Rock Island County of 33.50% 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.

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: August 23, 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.