



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

APPELLANT: BMO Harris Bank N.A.
DOCKET NO.: 11-01361.001-C-2
PARCEL NO.: 09-05-279-003

The parties of record before the Property Tax Appeal Board are BMO Harris Bank N.A., the appellant, by attorney Thomas J. McCracken, Jr., of the Law Offices of Thomas J. McCracken, Jr. & Associates, P.C., Chicago; and the Kane County Board of Review.¹

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: \$382,145
IMPR: \$99,690
TOTAL: \$481,835

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 2011 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

¹ This appeal was part of a consolidated hearing with Docket No. 11-01362.001-C-1.

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 a pneumatic tube system and with one lane having an ATM. 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.

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 and Frank C. Urban of Frank C. Urban & Co. estimating the subject property had a market value of \$1,450,000 as of January 1, 2011. (Appellant's Exhibit #2). The appellant called as its witness Frank C. Urban.

Urban is a State of Illinois Certified General Real Estate Appraiser and has the MAI designation from the Appraisal Institute. Urban stated he conducted a 2011 appraisal of the subject property. He described the subject property as a seven-year-old, free-standing bank branch building of average quality, average condition, with a good drive-through operation and ample parking. He stated the subject improvement has 4,774 square feet of building area and the site had 71,656 square feet of land area, resulting in a land to building ratio of approximately 15:1. Urban was of the opinion this was typical for a suburban branch bank and the land to building ratio was adequate.

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

Under the cost approach to value the appraiser first estimated the land value using four sales and two listings located in South Elgin, Elgin and St. Charles. The comparables ranged in size from 52,098 to 75,358 square feet of land area. Land comparable sales #1 through #4 sold from June 2008 to April 2009 for prices ranging from \$950,000 to \$1,569,728 or from \$14.21 to \$20.83 per square foot of land area. The two listings had

prices of \$700,000 and \$980,100 or \$13.62 and \$15.00 per square foot of land area, respectively. 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 \$911,596 or \$190.95 per square foot of building area. To this \$170,000 was added for the canopy and drive-through equipment to arrive at a replacement cost new of the building improvements of \$1,081,596. Indirect costs of 2% were added to arrive at a total for direct and indirect costs of \$1,191,486. The appraiser estimated entrepreneurial profit of 8% or \$88,258, which was added to arrive at a total replacement cost new of \$1,191,486.

Physical depreciation was calculated to be \$166,808 using the age-life method with the subject having an effective age of 7 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 \$2,227,849. They determined the income necessary to support this estimated value was \$182,684 based on a capitalization rate of 8.2%. The appraisers calculated the net operating income to be \$121,260, which was \$61,424 below what was needed. Capitalizing the income deficiency by 8.2% resulted in external obsolescence of \$749,073 or 62.9% of the replacement cost new. Accrued depreciation totaled \$916,253.

The appraiser estimated the site improvements of asphalt-paved parking with related improvements such as concrete sidewalks and landscaping had a contributory value of \$53,171. 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 \$1,480,000 or \$310.01 per square foot of building area, including land.

Three comparable sales and three listings were used in the sales comparison approach to value. The comparables were located in St. Charles, McHenry, Elgin, Carol Stream and Aurora. These properties were improved with branch bank buildings that ranged in size from 3,302 to 7,740 square feet of building area and were constructed from 1994 to 2006. Each comparable was improved with a one-story building and only one comparable had a full finished basement. The comparables had land-to-building

ratios ranging from 6.5:1 to 19.1:1. Comparables #1 through #3 sold from December 2010 to April 2011 for prices ranging from \$825,000 to \$1,250,000 or from \$146.15 to \$302.85 per square foot of building area, including land. Comparables #4 through #6 had listing prices ranging from \$1,300,000 to \$2,100,000 or from \$167.96 to \$400.08 per square foot of building area, including land. Urban testified the listings were listed for sale over the period of January 1, 2011. He also indicated that these properties have since sold. Urban testified listing #4 sold in July 2012 for a price of \$83.98 per square foot of building area, listing #5 sold in July 2012 for a price of \$116.08 per square foot building area, and listing #6 sold in April 2012 for a price of \$238.14 per square foot of building area. The appraiser compared the comparables to the subject property and made adjustments for such items as sale conditions, 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 \$300.00 per square foot of building area, including land, or \$1,430,000.

The final approach developed was the income capitalization approach. In estimating the market rent recent leases and active listings of bank branches, office buildings and restaurants in the subject's general market area were considered. The comparables were located in St. Charles, Lake-In-The-Hills and Batavia. Rental comparables #1, #3, #4 and #5 were improved with one-story bank branches that ranged in size from 3,586 to 6,495 square feet and were built from 2003 to 2005. These properties each had a 4 or 5-lane drive-through and had land-to-building ratios ranging from 6.0:1 to 15.4:1. These four comparables had asking rents of \$28.00 and \$36.25 per square foot of building area. Comparable #2 was a two-story bank branch with the second-floor office space renting for \$14.00 per square foot of building area. The lease for comparable #2 was entered in July 2008. Urban testified that rental comparables #1, #3, and #4 had been on the market and available for lease for 21 months. The appraiser 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 CB Richard Ellis Marketview, Chicago First Quarter 2011, reported a vacancy rate of 14.1% for retail properties in the Chicago market area. The appraisers also indicated in the report that in the subject's Kane County submarket the vacancy rate is 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 10.0% of potential gross income or \$14,322, resulting in an effective gross income of \$128,898.

The appraisers then deducted expenses for a management fee, reserves for replacement and leasing commissions totaling \$7,638 to arrive at an estimated net operating income of \$121,260. As support for their conclusion of the various expenses the appraisers cited Price Waterhouse Coopers, PwC Real Estate Investors Survey, First Quarter 2011.

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 8.2%. Capitalizing the net income of \$121,260 resulted in an estimated value under the income capitalization approach of \$1,480,000 or \$310.01 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 given ample consideration and the sales comparison approach was considered a reliable indicator of value and given 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 \$1,450,000 as of January 1, 2011.

Based on this evidence the appellant requested the subject's assessment be reduced to \$483,285 to reflect the appraised value.

Under cross-examination Urban testified his comparable sale #3 was located significantly north of the subject property, 26 miles, in McHenry County. He was not aware of what happened to the property after purchase. Urban testified that in selecting comparables his parameters included both Cook County and every collar county to search for fee simple sales of bank branches.

Urban testified he looked at leased fee sales but they were not employed in his report because he did not have access to income data to adjust them for what market rents currently were as of the date of valuation. He stated that no one was willing to share the income information on a detailed basis on the leased fee sales.

With respect to his rental comparables, Urban indicated that comparables #1, #3 and #4 had been available for lease since 2009 and continued to be available as the date of his report. He also noted the bank branch rental comparables were offered for lease furnished. With respect to the vacancy rate of 10%, Urban testified he considered the subject in a good location along a heavily traveled arterial street.

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 calculating external obsolescence under the cost approach, Urban explained that what was happening at this point in time was that a lot of banks were closing branches, very few were expanding and a lot of supply was languishing on the market. He indicated that a lot of branches were sitting on good quality properties, with good land-to-building ratios, good condition and no issues; however, there was no interest, selling for fractions of not only of their construction costs but their listing prices.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the total assessment for the subject of \$755,019. The subject's assessment reflects a market value of approximately \$2,282,100 or \$475.93 per square foot of building area, land included, when using the 2011 three year average median level of assessment for Kane County of 33.23% as determined by the Illinois Department of Revenue.

The board of review called as its witness David Medlin, St. Charles Township Deputy Assessor. In rebuttal, Medlin testified that appraisal sale #3 was purchased by McDonalds and in 2012 a new 4,048 square foot building was constructed. It was Medlin's opinion the purchase was reflective of the land as the original building was demolished. With respect to appraisal comparable sale #1, Medlin testified this property was located a little west of Randall Road and had an inferior location as compared to the subject property. Medlin also indicated that appraisal sale #2 was remodeled and is now used as an office building.

Medlin testified he provided some information on sales in the immediate area of the subject property along Randall Road in South Elgin. The first sale was located at 534 Randall Road, South Elgin. This property was improved with a 5,006 square foot bank branch building constructed in 2006 that sold in May 2011 for a price of \$2,933,333 or \$585.96 per square foot of

building area, including land. The second sale provided by Medlin was located at 536 Randall Road, South Elgin. The property was improved with a bank branch building constructed in 2004 with 5,815 square feet of building area. This property sold in April 2011 for a price of \$3,050,000 or \$524.50 per square foot of building area, including land. The witness explained that the properties located at 534 and 536 Randall Road are located within blocks of the subject property and have essentially the same locational attributes. He also testified these two sales continued to be used as bank branches, which indicates there is demand for bank branches on the Randall Road corridor. Medlin's third sale was located at 2402 West Main Street, St. Charles. This property was improved with a bank branch building with 6,495 square feet constructed in 2005. The property sold in March 2008 for a price of \$4,835,000 or \$744.42 per square foot of building area, including land. This property was the same as appraisal rental comparable #1. Medlin was of the opinion these three additional sales could have been used to help determine the value for the subject property.

Medlin was of the opinion the subject's assessment, which reflects a market value of approximately \$474 per square foot of building area when using the statutory level of assessments is supported by the sales in the record.

Under cross-examination it was pointed out that both properties located at 534 Randall and 536 Randall Road were located in St. Charles Township. The property at 534 Randall Road had an assessment reflecting a market value of \$371.64 per square foot of building area, land included. The property located at 536 Randall Road had an assessment reflecting a market value of \$371.34 per square foot of building area, including land.

Medlin agreed he did not prepare an income approach to value for the subject property. He also indicated the assessment was derived using the cost approach to value using a source called CAMAvision. The subject's property record card reflected a land value of \$1,289,812 and an improvement value of \$975,474. The property record card reflected that a 3% deduction was made for physical depreciation and no deductions were made for functional and economic obsolescence to the improvements.

Medlin provided copies of the transfer declarations (PTAX-203) for appraisal comparable sales #1 and #2, which indicated the properties were advertised for sale. Form PTAX-203-A, Illinois Real Estate Transfer Declaration Supplemental Form A, indicated

that appraisal comparable sale #1 was on the market value 11 months and was not occupied on the date of sale.

Medlin also provided copies of the Illinois Real Estate Transfer Declaration (PTAX-203) and the Illinois Real Estate Transfer Declaration Supplemental Form A (PTAX-203-A) for the properties located at 534 Randall Road, 536 Randall Road and 2402 West Main Street. These documents indicated 534 Randall Road was not advertised for sale and the improvement was occupied on the date of sale. The additional documentation provided by the deputy assessor from LoopNet indicated this property had a triple net ground lease and the property had 10+ years left on the lease. The forms indicated the property at 536 Randall Road was advertised for sale for six months and was not occupied on the date of sale. The transfer declaration documents indicated that the property at 2402 West Main Street was advertised and 100% occupied or leased on the date of sale. Medlin also agreed this property sold in March 2008, at a time when the economy was in better shape.

The board of review also submitted a list of 14 sales, which included 534 Randall Road and 536 Randall Road to show the appraiser had some other opportunities for sales in the market area to address. The board of review representative noted that the price for 534 Randall Road differed from what the deputy assessor had.

Urban was called in rebuttal and testified that the PTAX documents associated with 534 Randall Road disclosed the property was not advertised and was the subject to a triple net land lease.

With respect to the property located at 536 Randall Road, Urban made reference to the sale at page 86 of his report. He indicated that the sales was not used in the appraisal because they were not able to confirm the sale; the property sold for 22% more than the list price, a premium inconsistent with other market data; and Chase, the buyer, already operates a branch in the area and expanding to this building involved considerable business value over and above the real estate only. With respect to the property located at 2402 West Main Street, Urban indicated this is one of his rental comparables that was initially available for lease at \$23 per square foot then increased to \$28 per square foot. Urban indicated the March 2008 sale of this property was in a substantially different market.

The appellant also submitted rebuttal comments prepared by Urban on the 14 sales provided by board of review.

Following the hearing the board of review submitted a response to the rebuttal statement as allowed by the Property Tax Appeal Board.

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 (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 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 \$1,450,000 or \$303.73 per square foot of building area, including land, as of January 1, 2011. The subject's assessment reflects a market value of \$2,282,100 or \$475.93 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. 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 a list of 14 sales but did not adjust for differences from the subject property. The assessor also provided information on three sales but provided no analysis or adjustments for differences these properties may have had from the subject property. Additionally, it was shown that the deputy assessor's sale at 534 Randall Road was not advertised for sale and was occupied on the date of sale. Furthermore the evidence indicated this property had a ground lease with 10 years remaining on the lease on the date of sale. These factors call into question the arm's length nature of the sale and whether the sale was of a fee simple interest. The evidence also showed the deputy assessor's sale located at 2402 West Main Street occurred in March 2008, which was during a superior marketing period, and this property was 100% occupied or leased on the date of sale. Due to the date of sale and occupancy issues, the Board gives this sale little weight. 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 \$1,450,000 as of January 1, 2011. Since market value has been determined the 2011 three year average median level of assessment for Kane County of 33.23% 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.



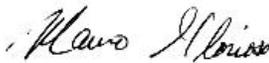
Chairman



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: June 20, 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.