

# Pre-Acquisition Due Diligence Analysis

## PROPERTY TAX ESTIMATE TIER OPTIONS

### TIER I

**Macro estimate, less detailed, narrative format**

- Is this a disclosure state?
- What is the discount to purchase price?
- What is the assessed value?
- What is the millage rate?
- What should we assume for tax rate growth going forward?
- Can we avoid a reassessment through an entity purchase?

### TIER II

**One page, four to five-year forecast**

*(Sample included)*

### TIER III

**Comprehensive packet that includes our four to five year forecast along with an equity and sales analysis**

*(Sample included)*

## Pre-Acquisition Due Diligence Property Tax Estimate

### Tier III Sample

DATA INFORMATION	
Customer Information	
Estimate Requested By:	
Date:	
Phone:	
Email Address:	
General Information	
Project Name	ABC Company
Address	1 ABC Way
Owner of Record	ABC Company
Parcel Numbers	123-456-7890
City	West Chicago
County	Cook
State	Illinois
Property Information	
Type of Property	Self Storage
Real Property Purchase Price (Const. Cost):	\$14,250,000
Estimated Date of Purchase	7/18
Will a Deed be Recorded for Purchase Price?	Yes
Land Size (SF or Acres)	158,846
Building Size (SF)	98,032
Year Built:	2018
No. of Rms/Units (if applicable)	655

DEVELOPMENTS	
Land Acquisition Price	\$
Hard Cost	\$
Soft Cost	\$
Total Cost	\$
Start Date	
% Complete as of Jan. 1st	

**IF AN OFFERING MEMORANDUM EXISTS, PLEASE PROVIDE**

**\*IF A COMPETITIVE SET EXISTS (PROPERTIES YOU WILL BE COMPETING WITH IN THE MARKETPLACE), PLEASE PROVIDE.**

ACQUISITION	YR1	YR2	YR3	YR4	YR5
Revenue	\$ 322,363	\$ 1,057,417	\$ 1,727,852	\$ 1,880,430	\$ 1,973,769
Expenses	\$ 290,115	\$ 557,300	\$ 753,934	\$ 784,107	\$ 810,400
ROI	\$ 32,248	\$ 500,116	\$ 973,918	\$ 1,096,323	\$ 1,163,369
Replacement Reserves	\$ 24,508	\$ 24,508	\$ 24,508	\$ 24,508	\$ 24,508
End Date	\$	\$	\$	\$	\$
Debit Service	\$	\$	\$	\$	\$

## Pre-Acquisition Due Diligence Property Tax Estimate

### Tier III Sample Continued

PRE-ACQUISITION PROPERTY TAX ANALYSIS / ESTIMATE										
BUYER					PARADIGM TAX GROUP					
Estimate Requested By					Estimate Requested By					
Date					Date					
Phone					Phone					
Email Address					Email Address					
PROPERTY DESCRIPTION										
Project Name	ABC Property				City	Chicago				
Address	123 ABC Way				Town	Chicago				
Owner of Record	ABC Company				County	Cook				
Parcel Number	123-456-7890				State	Illinois				
Purchase Price	\$ 14,840,000				Land Size - Acres	158,846				
Estimated Date of Purchase	7/18				Year Built	2018				
Total Units	655				Building Size (SF)	98,032				
TAX ESTIMATE										
	REVALUATION YEAR						REVALUATION YEAR			
Assessment Date	As of 1/1/2018		As of 1/1/19		As of 1/1/20		As of 1/1/21		As of 1/1/22	
	MOST FAVORABLE	CONSERVATIVE	MOST FAVORABLE	CONSERVATIVE	MOST FAVORABLE	CONSERVATIVE	MOST FAVORABLE	CONSERVATIVE	MOST FAVORABLE	CONSERVATIVE
Tax Year	2018 pay 2019	2018 pay 2019	2019 pay 2020	2019 pay 2020	2020 pay 2021	2020 pay 2021	2021 pay 2022	2021 pay 2022	2022 pay 2023	2022 pay 2023
Market Value	\$1,000,728	\$1,167,516	\$7,286,500	\$8,127,250	\$7,286,500	\$8,127,250	\$8,015,150	\$9,346,338	\$8,015,150	\$9,346,338
Assessment Ratio	10%	10%	25%	25%	25%	25%	25%	25%	25%	25%
Assessed Value	\$1,000,728	\$116,752	\$1,821,625	\$2,031,813	\$1,821,625	\$2,031,813	\$2,003,788	\$2,336,584	\$2,003,788	\$2,336,584
Effective Tax Rate	20.429%	21.663%	20.838%	22.530%	21.255%	23.431%	21.680%	24.368%	22.113%	25.343%
Total RE Taxes	\$20,444	\$25,292	\$379,591	\$457,762	\$387,183	\$476,073	\$434,419	\$569,383	\$434,419	\$569,383
FMV per Unit			\$6,500	\$7,250	\$6,500	\$7,250	\$7,150	\$8,338	\$17,913	\$19,024
FMV per SF			\$74.33	\$82.90	\$74.33	\$82.90	\$81.76	\$95.34	\$111.74	\$118.67
Taxes per Unit			\$418	\$439	\$447	\$511	\$456	\$531	\$489	\$561
Taxes per SF			\$3.87	\$4.67	\$3.95	\$4.86	\$4.43	\$5.81	\$4.43	\$3.81

## Pre-Acquisition Due Diligence Property Tax Estimate

### Tier III Sample Only

#### PRE-ACQUISITION PROPERTY TAX ANALYSIS / ESTIMATE

YEAR	TAX RATE	% CHANGE	EQUALIZER	% CHANGE
2017	7.1450%	4.05%	2.8032	5.05%
2016	6.8670%	0.9%	2.6685	-2.1%
2015	6.8080%	-0.4%	2.7253	2.4%
2014	6.8320%	6.8%	2.6621	-5.1%
2013	6.3960%	17.3%	2.8056	-5.6%
2012	5.4550%		2.9706	
		<b>Average: 5.7%</b>		<b>Average: -1.1%</b>

#### EQUITY COMPARABLES

ADDRESS	CITY	PARCEL	SF	BUILT	LAND FMV	BLDG FMV	TOTAL FMV	2017 PAY 2018 TAXES	BUILDING FMV/SF	TOTAL FMV/SF	TAXES/SF
<b>SUBJECT</b>											
123 ABC Way	CHICAGO	123-456-7890	98,032	2018	\$833,940	\$0	\$833,940	\$25,292	\$0	\$8.51	\$0.26
<b>COMPS</b>											
123 North Ave	CHICAGO	123-456-7890	84,700	1999	\$889,452	\$5,682,348	\$6,571,800	\$329,065	\$67.09	\$77.59	\$3.89
1900 Paradigm Ave	CHICAGO	123-456-7890	93,000	2014	\$1,493,044	\$4,629,216	\$6,122,260	\$306,555	\$49.78	\$65.83	\$3.30
4000 Chicago Ave	CHICAGO	123-456-7890	64,000	2006	\$838,088	\$2,345,480	\$3,183,568	\$159,408	\$36.65	\$49.74	\$2.49
6000 Diversey Ave	CHICAGO	123-456-7890	65,000	2011	\$677,832	\$2,713,864	\$3,391,696	\$169,829	\$41.75	\$52.18	\$2.61
								<b>AVERAGE</b>	<b>\$56.49</b>	<b>\$86.90</b>	<b>\$2.21</b>
								<b>MEDIAN</b>	<b>\$56.37</b>	<b>\$86.72</b>	<b>\$2.17</b>

## Pre-Acquisition Due Diligence Property Tax Estimate

### Tier III Sample Only

#### SALES PRICE ASSESSMENT ANALYSIS

ADDRESS	CITY	PARCEL	SF	BUILT	UNITS	SALE PRICE	PRIOR MV	POST SALE MV	PS MV/ SF	SALE DATE	% INCREASE	% OF SALE PRICE	2018 FMV	FMX/ SF
<b>4000 Diversey Ave</b>	CHICAGO	129-456-7891	65,000	2011	871	\$6,500,000	\$2,500,000	\$2,500,000	\$52.18	10/2014	35.67%	52.18%	\$3,391,696	\$52.18
<b>600 Harlem</b>	CHICAGO	129-456-7892	79,810	2010	795	\$5,154,500	\$2,854,304	\$2,500,000	\$41.89	11/2014	17.12%	60.18%	\$3,102,232	\$38.87
<b>2800 N Pulaski Rd</b>	CHICAGO	129-456-7893	61,204	2015	450	\$1,710,000	\$961,760	\$2,500,000	\$77.64	05/2014	394.10%	390.10%	\$6,684,492	\$109.22
<b>1600 S Ashland Ave</b>	CHICAGO	129-456-7894	85,000	1926	920	\$5,470,000	\$852,764	\$2,500,000	\$24.54	05/2014	144.59%	46.18%	\$2,526,156	\$29.72
<b>1900 N Narragansett</b>	CHICAGO	129-456-7895	71,991	2013	721	\$12,350,000	\$1,246,364	\$2,500,000	\$34.98	05/2016	102.04%	32.79%	\$4,049,864	\$56.26

## Pre-Acquisition Due Diligence Property Tax Estimate

### Tier II & III Sample Continued

#### Does sale impact assessed value? If so, how?

Illinois is a disclosure state, so the taxing jurisdiction would be aware of the purchase price in a traditional transaction. One sales does not make a market and multiples sales would be needed for the purchase price to affect the current assessment.

#### How often is property reassessed?

The last triennial reassessment was in 2018.

#### Special circumstances that affect assessed values?

Sale of the property and/or additions to or improvements on the property.

\*\*Please note that should a deed not be filed with the Municipality; the Assessor will likely utilize the construction permits to determine the construction costs and use that amount when valuing the property. For the purposes of this report, the Consultant has evaluated the construction costs provided by the Client in the Data Request Form, in the amount of \$14,250,000.\*\*

**2018 | Most Favorable:** Currently assessed as vacant land at 10% assessment ratio with last known effective tax rate

**Conservative:** Currently assessed as vacant land at 10% assessment ratio, estimated 4% increase in effective tax rate

**2019 | Most Favorable:** 1/1/2019 lien date - Assumes no new construction as of lien date - estimated 20% increased based on revaluation

**Conservative:** 1/1/2019 lien date - Assumes no new construction as of lien date - estimated 40% increased based on revaluation

**2020 | Most Favorable:** 1/1/2020 lien date - Assumes construction is complete, property is open for business. Valued at \$6500 per unit

**Conservative:** 1/1/2020 lien date - Assumes construction is complete, property is open for business. Valued at \$7250 per unit

**2021 | Most Favorable:** Estimated 10% increase (Post-Appeal)

**Conservative:** Estimated 15% increase (Post-Appeal)

**2022 | Most Favorable:** 2020 Value carried forward; non-revaluation year

**Conservative:** 2020 Value carried forward; non-revaluation year

#### Tax Rate Assumptions

- Projected a 4% conservative rate increase per year and a 2% most favorable rate increase per year
- Effective Tax Rate = State Equalizer

#### Tax Bill Due Dates

Taxes are paid in two installments and in arrears. The 2018 pay 2019 taxes will be due on 3/1/19 and 8/1/19

**1st Installment:** Due March 1st (estimated bill based on 55% of prior year's tax bill)

**2nd Installment:** Due **Month Needed**

#### Additional Considerations

##### How does the disposition value affect future value? When will the effect be felt (year)?

As mentioned previously, Illinois is a disclosure state so the taxing jurisdiction would be aware of the purchase price in a traditional, arms-length transaction. However, the Assessor does not typically "chase" sales. Full value is expected to take place in 2020 tax year, payable in 2021.

##### How does the disposition value affect future Taxes? When would the impact be felt/stabilized? **Answer Needed**

##### When was this property last sold? How did that sale affect the assessment? What percentage of sale price was enrolled by county?

The subject property was last sold in 2005 for a total consideration of \$2,150,000. The property was assessed as a vacant lot at the time of sale. We do not have any information related to the circumstances surrounding the 2005 sale.

It is important to note that information utilized in this estimate has been provided by the Client. Further, all values represented herein are estimates. They are not to be considered final or absolute. They are, in part or whole, based on market trends and projected cash flows provided by the Client. Based upon these and other aforementioned considerations, the estimates included herein can be neither exact nor precise. Further, they are likely subject to change, both retroactively and prospectively due to facts, assumptions and other circumstances both listed herein and omitted here from. Paradigm Tax Group makes no guarantees to the accuracy of content for this estimate.