

BEFORE THE IDAHO BOARD OF TAX APPEALS

ALAN BLAIR,	)	
	)	
Appellant,	)	APPEAL NOS. 19-A-1295 &
	)	19-A-1296
v.	)	
	)	FINAL DECISION
PAYETTE COUNTY,	)	AND ORDER
	)	
Respondent.	)	
	)	
	)	
	)	

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**COMMERCIAL PROPERTY APPEALS**

These appeals are taken from decisions of the Payette County Board of Equalization denying appeals of the valuations for taxing purposes on property described by Parcel Nos. N5480002013A and N5480002014A. The appeals concern the 2019 tax year.

These matters came on for hearing October 10, 2019 in Payette, Idaho before Hearing Officer Travis VanLith. Appellant Alan Blair was self-represented. County Assessor Mark Harvey represented Respondent.

Board Members Leland Heinrich and Kenneth Nuhn join in issuing this decision.

The issue on appeal concerns the market values of two (2) improved commercial properties.

The value decisions of the Payette County Board of Equalization are affirmed.

**FINDINGS OF FACT**

Appeal No. 19-A-1295 (Parcel No. N5480002013A)

The assessed land value is \$12,958, and the improvements' value is \$170,201, totaling \$183,159. Appellant contends the correct market value is \$149,000. This .347 acre parcel is improved with 6,860 square feet of self-storage buildings.

Appeal No. 19-A-1296 (Parcel No. N5480002014A)

The assessed land value is \$18,307, and the improvements' value is \$341,937, totaling

\$360,244. Appellant contends the correct market value is \$290,000. This .610 acre parcel is improved with 8,535 square feet of self-storage buildings, plus a 1,560 square foot residence constructed in 1970.

The subject properties are adjacent parcels located in New Plymouth, Idaho. The parcels are operated together as a single business entity offering self-storage services. Appellant originally purchased the parcel with the residence first and then years later he purchased the adjacent parcel. The storage buildings were erected over time to the current number of six (6). In total, Appellant reported the subject properties having 121 individual storage units of varying size.

Appellant pointed to the roughly 36% and 45% respective increases in subjects' assessed values over the past two (2) assessment years. It was questioned whether there was adequate support for the increases. Appellant explained subjects' self-storage business caters primarily to lower income customers, so it is important to keep rates as low as possible. With the increases in subjects' assessed values, Appellant was concerned the rates might need to be raised, which could cause some customers to seek alternative storage options. Appellant reported the rates were increased by roughly 8% in 2018 following an increased assessment in 2017, which caused a handful of customers to leave. Appellant feared more rate increases could result in more lost customers and cause strain on the business.

Respondent explained subjects' assessed values were determined using the cost approach, though the other two (2) valuation approaches were also considered. The sales comparison approach was ultimately discarded due to the lack of comparable mini-storage sales in the county. Respondent did report on a couple sales, though one (1) was a bank-

owned property at the time of sale, and the price on the other sale was unknown.

Respondent did develop an income approach, though it was also ultimately rejected due to the scarcity of income and expense data from the marketplace. In any event, Respondent's income model was based on subject's actual net operating income of \$54,778. The net operating income was capitalized at a market rate of 6.19%, resulting in a value estimate of \$853,679 for both subject parcels. Respondent conceded this value conclusion was likely high for the subjects considering their New Plymouth location.

### CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of fair market value in fee simple interest, or as applicable exempt status. This Board, giving full opportunity for all arguments and having considered all the testimony and documentary evidence, hereby enters the following.

Idaho Code § 63-205 requires taxable property be assessed at market value annually on January 1; January 1, 2019 in this case. Market value is defined in Idaho Code § 63-201, as,

“Market value” means the amount of United States dollars or equivalent for which, in all probability, a property would exchange hands between a willing seller, under no compulsion to sell, and an informed, capable buyer, with a reasonable time allowed to consummate the sale, substantiated by a reasonable down or full cash payment.

Market value is estimated according to recognized appraisal methods and techniques. The three (3) primary methods for determining market value include the sales comparison approach, the cost approach, and the income approach. *Merris v. Ada Cnty.*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979).

Appellant's primary concern centered on the percentage increases in subjects' respective assessments. Specifically, Appellant was concerned with the impact on subjects' self-storage business if the assessed values continue to increase, the rental rates must also be increased to cover the tax burden. While the Board appreciates Appellant's concerns with the percentage increases, Respondent is required to assess all taxable property at full market value. Broader market prices in general have increased in recent years, so it is reasonable to expect subjects' values might likewise increase. It is also worth noting assessed values for self-storage properties in the county had reportedly remained stagnant for several years, so the recent increases reflect to an extent Respondent's attempt to "catch up" with the current market.

Fundamentally, Respondent relied on the cost approach to appraise and assess subjects. The sales comparison approach was disregarded due to a dearth of recent arm's-length self-storage sales in the county. The income approach was developed, however, Respondent acknowledged the roughly \$850,000 value conclusion was likely too high given subjects' location. Though the income approach or the sales comparison approach are commonly used to value income-producing property, we find no error in Respondent's reliance on the cost approach in this case. There simply is not enough recent market data to develop reliable valuation models under the other two (2) approaches.

In appeals to this Board, the burden lies with Appellant to establish error in subjects' valuations by a preponderance of the evidence. Idaho Code § 63-511. Though the Board is sympathetic to Appellant's concerns, there was simply no market value evidence to support a reduction in subjects' current assessments. Respondent maintained the values reached

using the cost approach were the best indicators of market value in this instance. With no competing market-based evidence to suggest otherwise, the Board is satisfied subjects' assessed values are fair and reasonable.

The value decisions of the Payette County Board of Equalization are affirmed.

#### FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decisions of the Payette County Board of Equalization concerning the subject parcels be, and the same hereby are, AFFIRMED.

DATED this 15<sup>th</sup> day of January, 2020.