

BEFORE THE IDAHO BOARD OF TAX APPEALS

CJS HOLDINGS MANAGEMENT, LLC,)	
)	
Appellant,)	APPEAL NO. 19-A-1387
)	
v.)	FINAL DECISION
)	AND ORDER
BOISE COUNTY,)	
)	
Respondent.)	
)	
)	
)	

COMMERCIAL PROPERTY APPEAL

This appeal is taken from a decision of the Boise County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. RPH00000340560. The appeal concerns the 2019 tax year.

This matter came on for hearing November 15, 2019 in Idaho City, Idaho before Board Member Leland Heinrich. Manager Jon Dufresne appeared at hearing for Appellant. Chief Deputy Assessor Brandee Kline represented Respondent.

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

The issue on appeal concerns the market value of an improved property.

The decision of the Boise County Board of Equalization is reversed.

FINDINGS OF FACT

The assessed land value is \$56,327, and the combined value of the improvements is \$115,996, totaling \$172,323. Appellant agrees with the land value, however, contends the value of the improvements is \$57,081, totaling \$113,408.

The subject property is a .67 acre parcel located in Horseshoe Bend, Idaho. The property is improved with a 1,862 square foot mobile classroom constructed in 1981 and presently used as a daycare business. The parcel is further improved with a 1999 manufactured home and a 720 square foot attached garage. Appellant is only contesting the

assessed value assigned to the mobile classroom improvement.

Appellant explained the mobile classroom was purchased in November 2016 from a Boise company which specializes in transporting and setting up mobile classrooms. The \$18,000 purchase price included delivery and setup costs. Though Appellant's intent was to re-purpose the property for use as a daycare, the required permitting process was lengthy. Accordingly, the present use of the daycare did not begin until roughly March 2019. Beginning in early 2019, some improvements were made to the classroom, including plumbing work and the addition of an access ramp and concrete parking. In Appellant's view, the current assessed value of roughly \$79,000 is excessive considering the purchase price of \$18,000.

In addition to the purchase price of the mobile classroom, Appellant offered an August 2019 letter from the company that sold the subject classroom to Appellant. The letter stated the company currently has several various sized units available with prices ranging from \$12,000 to \$15,000 "depending on size and condition." The quoted price range was noted to include delivery and setup costs. Again, Appellant argued the assessed value of the classroom is excessive considering current pricing levels, and suggested a fair value in the range of \$15,000.

Respondent was unaware the daycare business did not begin operations until early 2019, and valued the classroom as a commercial building. Using a Commercial Program Estimator from Marshall & Swift, Respondent calculated a replacement cost new figure of \$272,764 for the classroom. After applying a 71% depreciation factor, the concluded value was \$78,915.

Respondent also referenced some commercial sales from 2016 through 2018. It was

noted business-type sales are widely varied throughout the county so it is difficult to make comparisons. Physical details concerning the listed sales were mostly absent. The information shared was sale dates, sale prices and assessed values. Respondent focused on the ratios of sale prices to assessed values and calculated a median assessment ratio of 80.4%.

Lastly, Respondent offered an abbreviated income approach developed at hearing. Appellant reported the owner of the daycare business, who leases the building from Appellant, pays a monthly rental rate of \$1,000. Respondent used this rent rate to calculate an annual gross income figure of \$12,000. Respondent then capitalized the gross income at an 8.5% rate, which yielded a value of roughly \$141,000. Based on this value indication, Respondent suggested subject's current assessed value might be understated.

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 submitted by the parties, 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).

Respondent offered value indications developed from a consideration of all three (3) approaches to value. While the efforts in this regard were appreciated, the Board was not convinced the respective analyses were good or reliable indicators of current market value. To begin, the foundation of the analyses was flawed. Respondent was understood to appraise the mobile classroom unit as a traditional commercial improvement. Idaho Code § 63-208 requires all non-exempt property be assessed at market value “ . . . according to recognized appraisal methods and techniques as set forth by the state tax commission; provided, that the *actual and functional use shall be a major consideration* when determining market value for assessment purposes.” (Emphasis added.) Stated differently, subject's mobile classroom improvement must be assessed according to its actual and functional use as of January 1, 2019.

Appellant reported the mobile classroom sat untouched since the time it was setup on the subject lot through early 2019. At that time some plumbing work was done and exterior improvements were added. The testimonial evidence was corroborated by photographs; one (1) from February 2019 which showed the classroom building sitting on blocks without the exterior improvements, and a second photograph from April 2019 showed the exterior improvements. Based on the evidence, it is apparent the mobile classroom improvement was not being used as a daycare prior to 2019 and thus should not have been assessed as such or, at least not as a traditional commercial improvement.

The Board was concerned with the sufficiency of other aspects of Respondent's

analysis, including the income approach. Respondent used the lease rate of \$1,000 per month charged to the daycare tenant and calculated a potential gross income of \$12,000. Respondent then simply applied an 8.5% capitalization rate to calculate a value of approximately \$141,000. There were problems with this model, the most significant being the capitalization of gross income instead of net income. In other words, Respondent made no allowances for operating expenses, management, and vacancy and collection loss, which are typically included in this direct capitalization approach. The effect of the omissions was an overstatement of income, which in turn led to an inflated value conclusion. The Board found this flaw to be rather fatal and therefore no weight was afforded this income approach model.

The Board likewise did not find much probative value in the list of commercial sales provided by Respondent. And as Respondent did not emphasize the sales information as reliable value evidence for subject, we need not discuss this evidence further.

Respondent's cost approach was straight forward and used a nationally-recognized cost service. The concern was valuing the mobile classroom unit as a commercial improvement. Indeed, this classification resulted in a replacement-cost-new estimate of roughly \$270,000, which is difficult for the Board to accept, considering the basic design of the structure and the quality of the materials used in its construction. The structure may currently sit idle on concrete blocks, but it was designed to be moveable, so it is not fully comparable to a stick-built commercial building with a permanent foundation.

The remaining value evidence consists of the late-2016 purchase of the mobile classroom for \$18,000 and the 2019 letter from a seller of mobile classroom units which indicated a price range from \$12,000 to \$15,000 for similar property. Though the Board is

typically reluctant to rely too much on a single sale, there is little other good evidence of contributory value in this case. As such, primary weight was afforded Appellant's price data.

In accordance with Idaho Code § 63-511, the burden is Appellant's to establish subject's valuation is erroneous by a preponderance of the evidence. Given the record in this matter, the Board found the burden of proof satisfied and will reduce the value of the subject mobile classroom accordingly.

The decision of the Boise County Board of Equalization is reversed to reflect a 2019 value of \$20,000 for the mobile classroom improvement. The 2020 assessment should be updated to reflect recent changes in the subject property.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Boise County Board of Equalization concerning the subject parcel be, and the same hereby is, REVERSED to reflect a value of \$20,000 for the mobile classroom improvement, \$37,081 for the other improvements, and \$56,327 for the land, resulting in a total value of \$113,408.

IT IS FURTHER ORDERED, pursuant to Idaho Code § 63-1305, any taxes which have been paid in excess of those determined to have been due be refunded or applied against other *ad valorem* taxes due from Appellant.

DATED this 5th day of February, 2020.

IDAHO BOARD OF TAX APPEALS

