

BEFORE THE IDAHO BOARD OF TAX APPEALS

MICKELSEN PROPERTIES, LLC,)	
)	
Appellant,)	APPEAL NO. 19-A-1294
)	
v.)	FINAL DECISION
)	AND ORDER
FREMONT COUNTY,)	
)	
Respondent.)	
)	
)	
)	

COMMERCIAL PROPERTY APPEAL

This appeal is taken from a decision of the Fremont County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. RP08N37E253151. The appeal concerns the 2019 tax year.

This matter came on for hearing October 2, 2019 in St. Anthony, Idaho before Hearing Officer Cindy Pollock. Owner Stephanie Mickelsen appeared at hearing for Appellant. County Assessor Barbara Hirschi represented Respondent.

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

The issue on appeal concerns the market value of potato storage improvements.

The decision of the Fremont County Board of Equalization is affirmed.

FINDINGS OF FACT

The assessed value of the two (2) subject potato storage buildings is \$837,760. Appellant contends the correct value is \$700,000.

The subject improvements are two (2) potato storage cellars constructed in 2013. Each is 20,944 square feet in size, or capable of holding 140,000 “sacks” of potatoes.

Appellant recently purchased the cellars as part of a larger agreement broken into two (2) separate transactions. On December 17, 2018, Appellant and the seller executed a

Purchase and Sale Agreement which outlined both transactions. The broader agreement included the purchase of nearly 1,200 acres of agricultural ground, four (4) potato cellar storage buildings, as well as various other farm-related improvements such as bunk houses, shops, grain storage improvements, trailers and other assets. The agreement papers in record provided a list of assets, as well as an allocation of value to each.

Appellant did not itemize precisely which assets were transferred in each of the two (2) transactions, however, the two (2) subject storage buildings were included in the first transfer. This transaction closed on or about April 4, 2019. The second transaction, which included two (2) other smaller potato cellar buildings, was anticipated to close in October 2019. The Purchase and Sale Agreement allocated a value of \$2.50/cwt for each of the four (4) storage buildings. Appellant contended the \$2.50/cwt rate was the market value rate and the subject storage buildings should be assessed and valued accordingly.

Appellant additionally provided some invoices related to a storage cellar constructed in 2018. According to the invoices, the new cellar was roughly 16,270 square feet in size. It was noted the cost paid was below the subject cellars' current assessed values.

Lastly, Appellant contended there was a "glut" of potato cellars in the area, so the market value of potato storage is less than the cost to construct new storage. Appellant attributed this to a couple factors. First, Appellant pointed to some recent purchases in the area by investment companies in which the company purchased the farmland but not the potato storage improvements. It was argued, this situation puts pressure on the seller to find a separate purchaser for the storage buildings, which in turn pressures the seller to reduce the price in order to attract a buyer. Second, Appellant stated there were roughly 5,000 fewer

acres of potatoes planted last year, so there is less demand for storage space. Appellant anticipated the reduced potato plantings to persist for several years.

Respondent noted there have not been any recent sales of potato storage cellars. Therefore, the cost approach was used to estimate subject cellars' assessed value. In addition to its cost tables, Respondent considered quotes obtained from two (2) local contractors. One (1) of these was the same contractor who constructed Appellant's potato storage cellar in 2018. The first company quoted a price rate of \$4.50 per sack without the air planteum and electricity, from \$6.50 to \$7.00 per sack with the air planteum and electricity included. The other company quoted a base rate of \$5.00 per sack, which can vary depending on specific construction requirements. For the subject storage cellars, Respondent determined a base rate of \$28 per square foot, to which a 30% depreciation factor was applied to account for subjects' ages. The result was an assessed value rate of roughly \$20 per square foot or approximately \$3.13 per sack for the subject storage.

Respondent also provided cost information concerning three (3) recently constructed potato storage cellars. Two (2) were constructed in 2019 and the other was erected in 2018. One (1) of the 2019 cellars was constructed for \$450,000, or \$30.08 per square foot, or \$5.29 per sack. The other 2019 cellar cost \$350,000 to construct, which calculates to a rate of \$31.33 per square foot, or \$5.83 per sack. The 2018 potato cellar was constructed for \$500,000, or \$28.72 per square foot. Respondent acknowledged the 2019 data was untimely for purposes of this appeal, however, the information was provided to illustrate an increasing trend in the market for potato storage improvements.

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 always estimated as of a precise point in time. 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 sales comparison approach, the cost approach, and the income approach represent the three (3) primary methods for determining market value. *Merris v. Ada Cnty.*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979).

Appellant's central argument was the assessed value of the subject potato cellars should match the price allocation of \$350,000 per building indicated in the Purchase and Sale Agreement. While Appellant's position is understood, there are a couple problems with relying on the cellars' actual purchase information in this case. First, the sale did not close until April 2019. As noted above, the controlling valuation date in this appeal is January 1, 2019. This necessarily means an estimate of value on January 1st would require analysis of information which existed as of, or prior to, that date. Because the subject cellars' purchase closed roughly

four (4) months after the assessment date, it is untimely for the current tax year and should be excluded from the retrospective appraisal analysis.

Even if the 2019 sale date were set aside, the purchase alone would be insufficient to prove market value. In general terms, the sales comparison approach is an analysis of multiple recent sales of similar property.

“‘[M]arket value’ can not be established by a single arm's length transaction in which a unique property . . . is sold for cash . . . ‘market value’ becomes an important standard of measurement in the valuation of property only after there have been numerous sales or exchanges of similar property.” *Janss Corp. v. Bd. of Equalization of Blaine Cnty.*, 93 Idaho 928, 931, 478 P.2d 878, 881 (1970).

Though a subject's purchase, if it was timely, should factor into a valuation analysis, a single purchase is often insufficient on its own to establish a reliable estimate of market value. The subject purchase in this instance was further challenged by the large amount of other property included in the overall picture.

Respondent relied rather exclusively on the cost approach, which was found by the Board to be reasonable given the dearth of recent potato cellar sales in the farming neighborhood. In addition to the standard cost manual, Respondent consulted local builders to ascertain current costs. Based on this information, Respondent concluded a base cost new rate of \$28 per square foot for subjects. This replacement cost new estimate was further supported by the cost figures reported by Appellant for construction of a potato cellar in 2018. The 2018 invoices totaled approximately \$460,303, or \$28.29 per square foot. To the \$28 base rate, Respondent applied a 30% depreciation allowance, which resulted in an indicated final

rate near \$20 per square foot. Based on the available evidence, the subject cellars' assessed values appear reasonable and supported.

As the party bringing forth this appeal, Appellant bears the burden of proving error in the assessed value by a preponderance of the evidence. Idaho Code § 63-511. We did not find the burden of proof satisfied in this instance. The sales comparison approach was not applicable due to the absence of timely sales. As such, the Board finds no error in Respondent's reliance on the cost approach, which was supported not only by data obtained from local contractors, but also by Appellant's own recent construction activity.

The decision of the Fremont County Board of Equalization is affirmed.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Fremont County Board of Equalization concerning the subject parcel be, and the same hereby is, AFFIRMED.

DATED this 24th day of January, 2020.