

BEFORE THE IDAHO BOARD OF TAX APPEALS

ALB TWIN, LLC,	)	
	)	
Appellant,	)	APPEAL NOS. 21-A-1059 and
	)	21-A-1060
v.	)	
	)	FINAL DECISION AND ORDER
TWIN FALLS COUNTY,	)	
	)	
Respondent.	)	
	)	
	)	
	)	

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**COMMERCIAL PROPERTY APPEAL**

These appeals are taken from two (2) decisions of the Twin Falls County Board of Equalization modifying appeals of the valuation for taxing purposes on properties described by Parcel Nos. RPT0201001007FA and RPT00107091815A. The appeals concern the 2021 tax year.

These matters came on for telephonic hearing November 8, 2021, before Hearing Officer Travis VanLith. Member John Curotto appeared at hearing for Appellant. Twin Falls County Deputy Prosecuting Attorney Brooks Schott represented Respondent.

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

**The issues on appeal concern the market values of two (2) adjacent improved commercial properties.**

**The decisions of the Twin Falls County Board of Equalization are affirmed.**

FINDINGS OF FACT

Parcel No. RPT0201001007FA (Appeal 21-A-1059)

The assessed land value is \$471,551, and the improvements' value is \$1,340,201, totaling \$1,811,752. Appellant contends the correct land value is \$492,013, and the improvements' value is \$1,046,099, totaling \$1,538,112.

Parcel No. RPT0201001007FA (Appeal 21-A-1060)

The assessed land value is \$867,113, and the improvements' value is \$65,205, totaling \$932,318. Appellant contends the correct land value is \$906,683, and the improvements' value is \$55,205, totaling \$961,888.

The subject properties are adjacent commercial properties totaling 2.86 acres in size located along a primary commercial thoroughfare in Twin Falls, Idaho. The properties are operated together as a retail shopping center, so for purposes of this decision will be referred to as a single property. There are three (3) buildings situated about the property. The larger L-shaped structure, constructed in 1990, is a multi-tenant building along the western and southern borders of the shopping center, somewhat back from the boulevard. The two (2) smaller buildings were constructed in the early and mid-1970s and are located on the eastern edge of the property, near the roadway.

Appellant disagreed with the current assessed value of the subject property, particularly in light of its recent sale. Appellant purchased the property in June 2021 for \$2,500,000 in an arm's-length transaction and argued the current valuation of roughly \$2,750,000 was excessive by comparison. In Appellant's view, subject's assessed value should be reduced to match the recent purchase price of the property.

Respondent briefly explained its valuation methodology for commercial properties in subject's area. Commercial land values along Blue Lakes Boulevard are calculated on a frontage rate based on the number of feet along the roadway. Respondent's valuation model considers the first 125 feet of depth as standard and values it at a \$18.75 per square foot. Additional depth is valued at a discounted rate, as excess land, at \$10.50 per square foot. Subject has a disproportionately high amount of open parking space

compared to the footprints of the commercial buildings. As such, the excess ground received an additional downward 33% adjustment to the valuation rate.

Respondent lacked the necessary income and sales data to develop reliable value estimates under the income and sales comparison approaches and therefore utilized the cost approach. Respondent provided the worksheets detailing the various attributes and characteristics of the subjects' improvements. Respondent noted the base valuation rate for asphalt was \$1.80 per square foot, and due to its age, Respondent applied a 78% depreciation factor to subject's asphalt, plus an additional 9% downward functional obsolescence adjustment on account of the large size of the parking lot. An 80% depreciation factor was applied to the two (2) older commercial buildings, and a 42% rate was applied to newer L-shaped building. In Respondent's opinion, adequate consideration was given to subject's particular characteristics, and therefore the current valuation is reasonable.

Respondent additionally provided some commercial sales data in an effort to test its general cost approach modeling. Two (2) of the properties were improved at the time of sale, and two (2) were vacant. Respondent stressed the sale properties were not being offered as comparable to subject, but merely to test the accuracy of its valuation model. Sale prices ranged from \$165,000 to \$1,200,000. Respondent calculated assessed values ranging from roughly \$150,000 to \$885,000, or from 65% to 109% of the respective sale prices. With an average sale price ratio of 85%, Respondent commented commercial values in subject's area appear conservative or perhaps somewhat low based on the average ratio between the sales price data and respective assessed value.

## CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of market value in fee simple interest or, as applicable, a property's 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, 2021, in this case. Market value is always estimated as of a precise point in time. Idaho Code § 63-201 provides the following definition,

“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 comprise the three (3) primary methods for determining market value. *Merris v. Ada Cnty.*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979).

Appellant argued subject's current assessed value should mirror the June 2021 purchase price of \$2,500,000. While the Board agrees the recent arm's-length sale of the very property being valued is generally considered a strong indication of market value, such is not the case here. As noted above, the relevant date of valuation in this appeal is January 1, 2021. This necessarily requires consideration of market activity prior to the date of valuation, because it would be impossible to know of any sales after such date or to include that information in an appraisal-type analysis. Subject's purchase occurred in

June 2021, which is roughly six (6) months after the valuation date. At the very least, a time adjustment retroactive to January 1, 2021, would be necessary to reflect pricing levels on that key date. Appellant did not time-adjust subject's sale price, nor was there sufficient evidence in the record for the Board to make an informed estimate on an appropriate adjustment for date of sale.

In addition to being untimely, the Idaho Supreme Court has cautioned against relying on a single sale to estimate market value,

In any single individual transaction there are many variables which are dependent upon the peculiar aspects of the transfer and which affect the price agreed upon by the parties. Market value, therefore, is generally established by numerous sales of the same or comparable property and, although the price paid for property may be admissible to prove its market value, that fact alone is not conclusive.

*Gillingham v. Stadler*, 93 Idaho 874, 878, 477 P.2d 497, 504 (1970).

So, while subject's purchase price would certainly be a factor to be considered if it were timely, additional sales information is necessary in order to ensure the price was consistent with other similar properties transacting in the marketplace. For these reasons, the Board was unable to rely on subject's June 2021 purchase price for purposes of establishing the property's market value on the assessment date.

Respondent explained its methodology for valuing the subject shopping center using the cost approach. Based on the discounted land value rate for subject's excess land, as well as notable depreciation factors to the asphalt and commercial improvements, it was apparent to the Board Respondent thoughtfully considered subject's particular physical characteristics. And where Appellant did not provide a competing value model, the Board was ultimately disinclined to disturb subject's current valuation.

Pursuant to Idaho Code § 63-511, Appellant bears the burden of proving error in subject's valuation by a preponderance of the evidence. Given the record in this matter, the Board did not find the burden of proof satisfied. Appellant's sole value evidence was subject's 2021 purchase; however, that transaction was untimely for purposes of this appeal. Respondent provided a detailed account of its cost approach model, which appeared to be consistent with accepted appraisal practice. As such, the Board did not find good cause to alter subject's assessed value.

Based on the above, the decisions of the Twin Falls County Board of Equalization are affirmed.

#### FINAL ORDER

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

DATED this 15<sup>th</sup> day of February, 2022.