BEFORE THE IDAHO BOARD OF TAX APPEALS

MPT HOSPITAL, LLC,	)	
	)	
Appellant,	)	APPEAL NO. 25-A-1118
	)	
v.	)	FINAL DECISION AND ORDER
	)	
BONNEVILLE COUNTY,	)	
	)	
Respondent.	)	
	)	
_____	)	

COMMERCIAL PROPERTY APPEAL

This appeal is taken from a decision of the Bonneville County Board of Equalization modifying the valuation for taxing purposes on property described by Parcel No. RPA0457005004O. The appeal concerns the 2025 tax year.

This matter came on for hearing November 18, 2025, in Idaho Falls, Idaho, before Board Member Doug Wallis. Agent Frank Slaughter appeared at hearing for Appellant. Bonneville County Assessor Dustin Barron represented Respondent.

Board Members Kenneth Nuhn and Doug Wallis join in issuing this decision.

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

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

FINDINGS OF FACT

The original assessed land value was $2,125,291, and the improvements' valuation was $134,280,083, totaling $136,405,374. The Bonneville County Board of Equalization reduced the value of the improvements to $124,947,800, with no

adjustment to the land value, for a total assessed value of $127,073,091. Appellant contends the correct total value is $95,000,000.

The subject property is a 13.94 acre commercial parcel located in Idaho Falls, Idaho, operating as two (2) independent hospitals under a single roof. The original hospital building was constructed in 2003 and operated as Mountain View Hospital. In 2019, an addition was made to the original building to house Idaho Falls Community Hospital. A couple smaller additions were completed in 2024: one (1) totaling 5,428 square feet, and one (1) totaling 8,305 square feet. Currently, the building totals 333,116 square feet spread across the one-story section on the west, a two-story section in the center, and a three-story section on the east. There are no physical barriers between the two (2) hospitals, though operations are kept separate. In addition to surface parking and landscaping, the subject property is also improved with a three-level parking structure constructed in 2018.

In support of a lower valuation, Appellant offered an independent fee appraisal of the subject property with a January 1, 2025, effective date of valuation. The appraisal developed value estimates using the three (3) primary approaches to value. The appraisal's cost approach analysis began with the value of subject's 14.49[1] acres. Three (3) commercial sales and one (1) pending sale were included in the comparative analysis. Sale No. 1 was a 16.16 acre parcel purchased for $2,124,600, or $131,440 per acre, in January 2022. Sale No. 2 was the June 2024 purchase of an 8.4 acre parcel for $900,000, or $107,143 per acre. Sale No. 3 was a pending 2025 purchase of a 14.65

[1] In addition to the 13.94 acre subject parcel upon which the hospital building is situated, the appraisal also included two (2) small parcels totaling .552 acres that comprise a portion of the access drive off Channing Way.

acre parcel for $2,750,000, or $187,713 per acre. Sale No. 4 concerned a 39.42 acre lot located in Rexburg which sold for $3,000,000, or $76,104 per acre, in January 2023. Adjustments were made for date of sale, parcel size, zoning, and topography. The result was adjusted price rates from $110,350 to $168,942 per acre. The appraisal concluded a value of $1,955,000, or $135,000 per acre, for the subject parcel, which was noted to be near the midpoint of the range indicated by the adjusted sale price data.

With the exception of Sale No. 1, Respondent was critical of the sales included in the appraisal's analysis. Respondent reported Sale No. 2 was improved with a house, storage warehouse, and paving at the time of sale, so was not vacant land. Sale No. 3 was noted to be a pending 2025 transaction, and Sale No. 4 was located nearly thirty (30) miles away in Rexburg, in neighboring Madison County. In Respondent's view, these three (3) sales should be excluded.

The appraisal next evaluated subject's improvements. The hospital building was valued as a Class B General Hospital building of average quality with a base replacement cost of $398 per square foot. After adding HVAC costs and applying local and current cost modifiers, the appraisal calculated an adjusted base rate of $408.54 per square foot. A $66.86 per square foot adjusted base rate was determined for the parking structure. The result was replacement cost new estimates of roughly $136,000,000 for the hospital building and $7,900,000 for the parking structure. The appraisal also estimated a replacement cost new estimate of $610,000 for the 220 surface parking stalls and 40,000 square feet of landscaping on the property.

Next in the analysis was a consideration of subject's depreciation. For physical depreciation, the appraisal calculated a weighted average chronological age of 14.41

years for the hospital building. A 100-year economic life was used for the long-lived components comprising the building, and a 20- to 25-year life was used for short-lived items, like HVAC and electrical. The appraisal concluded a 34% overall physical depreciation factor for the hospital building.

The appraisal then moved to the question of whether the subject property suffers from any functional or economic obsolescence. As the local market was in a growth phase, no economic obsolescence was observed. The appraisal did, however, conclude there was some functional obsolescence. Because two (2) independently operated hospitals share the same building, the appraisal identified some duplicative portions within the building, such as two (2) emergency rooms instead of one (1), as would be the case if the building was occupied by just a single hospital. It was also noted the building has insufficient storage space for medical supplies so offsite storage is required. Additional functional obsolescence was identified by the fact the site is under-parked, which requires employees to park in a separate lot roughly 1,000 feet from the main entrance. The appraisal further noted portions of the hospital are serviced by chillers and equipment located on a separate parcel, which requires the hot and chilled water/glycol to be piped underground roughly 200 feet to the subject building. In all, the appraisal concluded a 3.2% functional obsolescence factor and an overall depreciation factor of 37.2% for its cost model.

Applying the overall depreciation factor to the cost new estimate, a replacement cost new less depreciation figure of $85,738,086 was calculated for the hospital building. After applying a 25% depreciation factor, the appraisal determined a depreciated value of $5,913,694 for the parking structure. The depreciated cost of the

site improvements was estimated at roughly $510,000. After adding the $1,956,420[2] land value determined earlier in the analysis, the appraisal's cost model concluded a total value of $94,100,000 for the subject property.

For its sales comparison approach, the appraisal analyzed five (5) sales. It was noted that, because of the special-use nature of the subject property, comparable sales data was limited. Therefore, a national search was necessary to identify fee simple hospital sales, not sale/leaseback transactions. The nearest sale was a hospital property located in Phoenix, Arizona, and the most distant hospital was located in Jacksonville, Florida. The hospitals were constructed between 1971 and 2012 and varied in size from 73,196 to 306,753 square feet. The sales transpired between February 2020 and March 2025 for prices ranging from $14,000,000 to $82,039,856, or from approximately $173 to $267 per square foot. Adjustments were made for differences in size and age, as well as parking and land-to-building ratios, resulting in adjusted price rates from approximately $213 to $309 per square foot. The sales model concluded a value of $275 per square foot, or $91,600,000, for the subject property.

The appraisal next developed a direct capitalization income model. In considering an appropriate rental rate, the appraisal explained subject's rates should not be used because one (1) of the hospital tenants also has an ownership interest in the property, so the $74.88 per square foot contract rental rate is not reflective of the market. Instead, the appraisal analyzed lease rates for thirteen (13) hospitals and specialty medical clinics with lease rates varying from $8.00 to $28.50 per square foot,

[2] In its land value analysis, the appraisal determined a rounded value of $1,955,000 for subject, but in summing the components for the final value conclusion, the appraisal used the precise land value conclusion of $135,000 per acre, or $1,956,420.

and an average of $17.04 per square foot. In an alternative analysis, referred to by the appraisal as the "Developer Model", a 10% capitalization rate was applied to the cost approach value of $93,300,000[3], which equated to an annual base rent of $9,330,000, or $28 per square foot. Given these indicators, the appraisal settled on a $28 per square foot lease rate for the subject property.

For its capitalization rate, the appraisal considered several sources. The first was a group of twelve (12) sales of healthcare facilities located across the country which transpired between July 2021 and February 2025. The sales indicated capitalization rates from 5.96% to 10.0%. The appraisal additionally cited national capitalization rate data for hospitals and medical office buildings from several industry sources, reporting capitalization rates from 5.5% to 13.5%. The appraisal concluded a 9% capitalization rate for subject, resulting in a value conclusion of $103,700,000 under its income model.

In the final reconciliation of value indicators, the appraisal discussed the strengths and weaknesses of each approach. Because subject is a special use property with unique characteristics, and due to the lack of local sales and rental data, the appraisal gave primary weight to the cost approach. The final value conclusion for the subject property was $95,000,000, as of January 1, 2025.

Before addressing subject's valuation, Respondent explained the property was reappraised for the 2025 assessment year due to the recent expansion projects completed in 2024. During the reappraisal, Respondent discovered a couple errors in subject's property record. Specifically, there was roughly 4,550 square feet of space in

[3] It was unclear how the $93,300,000 figure was determined because the appraisal's cost approach model concluded a value of $94,100,000 for the subject property, with roughly $92,000,000 allocated to the improvements.

the front of the hospital which had been previously overlooked, and the property record did not capture that the basement was finished. Respondent also identified a few additional ancillary improvements, including yard lights and a canopy over the emergency entrance, that were missing. After making the necessary corrections, subject's overall effective age was reduced to sixteen (16) years, or an effective build year of 2009.

Similar to Appellant's appraisal report, Respondent also developed value estimates for the subject property using all three (3) valuation approaches. Respondent offered several groups of land sales in support of subject's assessed land value. The first group included all six (6) vacant land sales in excess of ten (10) acres that have occurred in the county since 2019. The parcels varied in size from 10.06 to 36.77 acres, with sale prices from $1,175,000 to $9,581,458, or $2.62 to $5.98 per square foot. The average sale price rate for the six (6) sales was $3.45 per square foot, and the average price rate for the three (3) most recent sales in 2022 was higher, at $4.02 per square foot.

The next data set included all land sales from subject's general area which have transpired since 2001. Lot sizes ranged from .19 to 14.98 acres, with price rates varying from $2.25 to $33.25 per square foot, and an average price rate of $6.64 per square foot. The final group was comprised of all land sales since 2001 in subject's subdivision. Lot sizes ranged from .23 to 1.37 acres, and sale prices were from $2.25 to $13.48 per square foot, with an average price of $5.30 per square foot. Subject's 13.94 acres were assessed at $3.50 per square foot, or $2,125,291, which Respondent maintained was reasonable against the available sales data.

Respondent's cost approach next considered the value of subject's improvements using cost tables from Marshall Valuation Service (MVS). Respondent evaluated subject as a Class A – Good General Hospital. Respondent confirmed the Class A designation with a building plans examiner from the City of Idaho Falls, who reported the hospital was steel beam and column construction. After making adjustments for climate control, sprinklers, and elevators, Respondent calculated a base cost of $579.23 per square foot for subject's above grade space and a base rate of $253.23 per square foot for the finished basement. Respondent then applied modifiers for size and story height, as well as current cost and local modifiers. The result was a total cost new estimate of approximately $180,000,000 for the hospital building. The cost new estimate for the parking garage, as a Class B – Average structure, was $7,276,468.

Based on a 50-year economic life, Respondent determined a depreciation factor of 12% for the older portion of the hospital building and a 3% depreciation factor for the newer sections. The parking structure was depreciated at 7% using a 40-year economic life. The total depreciated replacement cost for the hospital building and parking structure was $173,066,188. After adding $903,590 for site improvements and $2,125,291 for the land, Respondent's cost model concluded a value of $176,094,999 for the subject property. Subject's current assessed value was noted to be lower, at $127,073,091.

For its sales comparison approach, Respondent shared information on twenty (20) sales, including the sales used in Appellant's appraisal report. After removing all Class C hospitals, as well as those constructed in the 1970s, Respondent narrowed the

list to nine (9) sales. The sale hospitals varied widely in gross building area, from approximately 101,000 to 417,000 square feet, and in sale price, from $168 to $890 per square foot. The average price rate was $506 per square foot. Respondent's comparative sales model concluded a rate of $314 per square foot, or $104,725,536, for the subject property.

Due to the lack of income information from the market for similar property types, Respondent's income approach utilized subject's actual rental income collected for 2022, which equated to $57.13 per square foot. The roughly $57 per square foot lease rate was calculated using only the square footage of both hospitals and did not include the square footage from the parking structure, even though income from the parking garage was included in total rent figure reported by Appellant. Adding the parking garage footage, Respondent calculated an adjusted lease rate of $42.54 per square foot.

Even though Respondent did not believe any vacancy or operating expenses should be included because subject is owner-occupied, Respondent's income model utilized a 30% operating expense rate and 5% vacancy and collection loss factor. This effectively reduced the base lease rate to $28.29 per square foot, which was noted to closely approximate the $28 per square foot rate used in the income model in Appellant's appraisal report.

In addition to the sales utilized in Appellant's appraisal report, Respondent also obtained sales information from other sources. Respondent stressed none of the sales in Appellant's appraisal were general hospitals, with most being independent/assisted living facilities and were therefore not comparable to subject. The average capitalization

rate for all the sales in the data set was 7.13%, while Respondent calculated an average rate of 6.53% after narrowing the list to just emergency rooms and surgical centers. Respondent's income model utilized a 7.14% capitalization rate, resulting in a value indication of $136,927,697 for the subject property.

While value estimates were developed using all three (3) approaches to value, Respondent regarded the cost approach was the only appropriate methodology in this case. Respondent disfavored the other approaches due to the absence of local sales and income data, meaning those valuation models were based largely on information from dissimilar properties located in different markets. However, despite Respondent's cost model indicating a value of roughly $176,000,000, subject's current valuation is notably less, at approximately $127,000,000.

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, 2025, 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 three (3) primary approaches 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).

Both parties developed value estimates using all three (3) approaches, but both championed the cost approach as the most appropriate methodology for valuing the subject property. The Board concurs. Special-use property is commonly valued using the cost approach because there are typically few, if any, similar properties in the market upon which reliable income or sales comparison models can be developed. Also, such properties are often purpose-built, with little regard for resale value or lease potential. This was illustrated in the present case, where much of the parties' sales and income data concerned dissimilar property types. Given the parties' reliance on the cost approach, there is no need to reconcile or otherwise address the parties' income and sales comparison analyses.

While the parties' cost models both employed the same general segregated cost methodology using MVS cost tables and depreciation schedules, the respective value conclusions were vastly different, with Appellant concluding a value of $94,100,000 for the subject property and Respondent concluding roughly $176,100,000. The primary source of divergence between the parties' models was in the class rating of the subject hospital building. Appellant's appraisal report evaluated subject as a Class B – Average General Hospital, with a base replacement cost of $398 per square foot for the structure, whereas Respondent considered subject a Class A – Good General Hospital, with a base cost of $560 per square foot.

MVS defines Class A construction as, "structural steel columns and beams, fireproofed with masonry, concrete, plaster, or other noncombustible material." For comparison, Class B construction is defined as, "reinforced concrete columns and beams. Fire-resistant construction." It was not apparent how Appellant's appraisal determined subject is a Class B building, but according to an email from a Building Plans Examiner in the Idaho Falls Community Development Services Division, the subject hospital ". . . was built of steel beam and column construction, which would be Class A construction." Given this, the Board finds Respondent's Class A determination for the subject hospital building appropriate.

The parties also disagreed on the classification of the parking structure. Appellant considered subject's parking garage a Class B – Low Cost structure and Respondent considered it a Class B – Average structure. According to MVS, there is a $16.50 per square foot difference in the base cost between the two (2). Again, it was unclear how Appellant's appraisal report determined a type rating of "low cost," described by MVS as, "low parapets, recast frame and floors, minimum finish." By contrast, MVS defines an "average" parking garage rating as, "partial walls, brick, block, concrete, plain finish." Photographs of subject's parking garage reveal a substantial amount of exterior brick work, which clearly elevates the structure above the "low cost" rating used in Appellant's appraisal.

Another major difference between the parties' cost models was the depreciation rates applied to the respective replacement cost new estimates. Appellant's appraisal, using a segregated cost analysis, determined physical depreciation rates for the individual components of the hospital building ranging from 14.4% to 72.1%, and

concluded an overall physical depreciation rate of 34%. While the Board understands the methodology employed, it was difficult to accept the subject hospital has physically depreciated 34% given that the effective age of the Mountain View Hospital portion of the building is sixteen (16) years and the Idaho Falls Community Hospital portion has an effective age of six (6) years, and additions/renovations continue to be made. The 34% depreciation rate also conflicts with the appraisal's statement that, "[o]verall, the improvements are ranked average to good in condition."

By contrast, Respondent's cost model utilized a 12% depreciation factor for the Mountain View Hospital portion of the building and a 3% factor for the portion occupied by Idaho Falls Community Hospital, which more accurately reflects the building's characteristics. Respondent's depreciation factors were more reasonable in the Board's view, particularly in light of all the additions and renovations completed in recent years. In all, the Board was not persuaded Appellant's cost model produced the superior indication of subject's market value.

In accordance with Idaho Code § 63-511, the burden is with Appellant to establish subject's valuation is erroneous by a preponderance of the evidence. Based on the record in this matter, the Board did not find the burden of proof satisfied. In short, there were too many concerns from the Board's perspective to place primary emphasis on Appellant's cost model. Overall, the Board found Respondent's analysis reasonable and supportive of subject's current valuation. Accordingly, the decision of the Bonneville County Board of Equalization is affirmed.

FINAL ORDER

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

DATED this 16th day of January, 2026.