

BEFORE THE IDAHO BOARD OF TAX APPEALS

NRCC ASSET ACQUISITION, LLC,)	
)	
Appellant,)	APPEAL NO. 15-A-1041
)	
v.)	FINAL DECISION
)	AND ORDER
MADISON COUNTY,)	
)	
Respondent.)	
)	
)	
)	

INDUSTRIAL PROPERTY APPEAL

This appeal is taken from a decision of the Madison County Board of Equalization denying the protest of valuation for taxing purposes of property described by Parcel No. RP06N40E161201. The appeal concerns the 2015 tax year.

This matter came on for hearing September 22, 2015 in Rexburg, Idaho before Board Member David Kinghorn. Mike Greenberg appeared at hearing for Appellant. Shawn Boice represented Respondent.

Board Members David Kinghorn, Linda Pike and Leland Heinrich participated in this decision.

The issue on appeal concerns the market value of industrial property, specifically the real property component.

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

FINDINGS OF FACT

Subject’s industrial land is valued at \$78,234, subject’s agricultural land is valued at \$22,826, and the industrial improvements' value is \$700,000, totaling \$801,060.¹ Appellant contends the correct total value is \$500,000.

¹ The County Board of Equalization decision upheld “the Assessor value on the real property of \$800,000”, which clerical figure appears to reference the actual assessment of \$801,060.

Subject is a 58.10 acre parcel improved with a 20,621 square foot creamery building. The main improvements are estimated to be 30 years old and in sound condition. The property is located in Sugar City, Idaho and has two (2) wastewater lagoons.

Of the parcel's total land area, 48.60 acres are assessed in accordance with their hay production under a partial exemption.² The remaining acreage is classified as industrial land. Appellant reported if the current creamery use stopped, the land would have to be remediated at an estimated cost of \$500,000 to \$1,000,000.

Subject sold in May of 2014. The buyer's settlement statement listed a total consideration of \$500,000. At about the same time, Appellant also acquired the associated machinery and equipment in a separate transaction. The personal property associated with the creamery was scheduled to be auctioned off piece by piece. Appellant was able to stop the auction and acquire this property for a reported price of \$1,550,000. The assessment of this property was not appealed here.

Leading up to the eventual sale, the creamery plant was closed and not operating from about October of 2012 through May of 2013. Appellant also reported the plant was marketed to potential buyers as an operating plant, starting in about 2007. Though not precisely quantified, both parties discussed briefly the considerable costs, beyond the total price paid, to bring the creamery plant back to its current state of production.

Appellant's case was straightforward. It argued subject's assessment should be based on the compensation which the seller actually received in the recent transaction, not to include costs such as attorney fees listed as part of the final settlement. For exhibit materials, Appellant

² The agricultural exemption provided for by Idaho Code §§ 63-602K and 63-604.

presented only the one (1) page from the buyer's settlement statement.

Respondent found the circumstances surrounding subject's sale indicated it was a distressed sale. It was therefore concluded the sale price was not indicative of the property's market value on January 1, 2015. Respondent also noted the additional cost to put the assets in their current production state, however the associated details were not in record. It was explained the current assessment was derived from a 2013 appraisal completed by a State Tax Commission appraiser and negotiations with the prior owner. Tax year 2013 was the last year the property owner submitted the industrial property declaration (annual report).

Including information concerning a creamery plant sale in Blackfoot, Idaho, Respondent submitted a total of eleven (11) pages of exhibit material. The materials included a building sketch along with pictures of the subject property, and a brief computer record associated with the subject property. Respondent also noted it had recently inspected subject.

Offered in support of subject's land assessment was information on a \$500,000 industrial land sale which indicated an average sale price rate of \$16,000 per acre. Subject's land area assessed as industrial property is valued at less than \$10,000 per acre. Offered in support of the subject improvements' assessment was price information from a recent Blackfoot, Idaho creamery sale. Respondent isolated the improvements' value indicated by this sale which involved a 16,758 square foot building. The value indicated a price rate of \$39.77 per square foot. Applying the price rate to subject's improvements indicated a value of \$820,000 compared to the assessed value of \$700,000. Appellant noted the referenced plant was 65 miles away and argued it was superior to subject's plant. Respondent countered the plants were similar and the comparison was valid where the subject plant was now operating and the sale plant was

operating at the time of sale.

Respondent prefers to value and assess the subject property after receiving the required annual report. Respondent argued the current assessments were reasonable on the owner information available for 2015 and where the plant was back in production, plus noting the assessed values were supported by comparable sale information.

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, or as applicable exempt status. This Board, giving full opportunity for all arguments and having considered all testimony and documentary evidence submitted by the parties in support of their respective positions, hereby enters the following.

Idaho Code § 63-205 requires taxable property be assessed at market value annually on January 1; January 1, 2015 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: namely the sales comparison, cost, and the income approaches to value. This case specifically involves a question of market value on the main real property associated with a large creamery. Appellant has not challenged the agricultural land portion of the assessment.

The assessment at issue is based on a 2013 appraisal and other information provided by the prior property owner. This older appraisal was not offered into evidence. On appeal,

Respondent presented information connected with two (2) recent comparable sales, one (1) a land-only transaction, and the other a relatively nearby creamery sale. The analysis of the sales was consistent with a sales comparison approach to value. The indicated values were higher than subject's current land and improvements assessments. The Board found the sales and related analysis did offer evidence of subject's current market value.

Appellant argued the assessment should be based on the "consideration" received by the prior owner in recently selling the real property. The sales contract was not offered into evidence and only one (1) page from a buyer's settlement document was presented. The record suggested Appellant first leased the subject property prior to purchase and also expended significant sums in bringing subject back into production and in re-licensing the plant. There was no supporting documentation in connection with these events, and the related verbal testimony was thin.

Normally a recent, arm's-length sale of the subject property is good evidence of its market value. Here the Board found the record lacking important information on the sale and the conditions surrounding the sale. On weighing the available information, the fact the creamery was closed for an extended period of time, and that the machinery and equipment, at the time of sale, were under contract to sell piece meal at auction, spoke loudly to the Board in determining the subject sale was consistent with a distressed sale. As argued by Respondent, such sale information is of little-to-no help in measuring the market value of the operating plant's property as it existed on the valuation date.

It was unfortunate Appellant's sworn property declaration for 2015 was not made, as well as the 2014 report. The information might well have benefitted the preparation and evaluation

of the current assessment. See Idaho Code §§ 63-302, 63-306, 63-503 and 63-505 for further information related to the annual declaration which includes reporting sections for sales information, buildings, land and income information. As it stands, the Board found the best evidence of subject's current market value was derived from the comparable sales information offered by Respondent. The related appraisal analysis did not show where subject was over-assessed.

In accordance with Idaho Code § 63-511, the burden is with Appellant to establish Respondent's valuation is erroneous by a preponderance of the evidence. The Board found Appellant did not satisfy this burden. The recent sale of the subject property did not present good evidence of its current market value. The decision of the Board of Equalization is presumed to be correct. Further on the evidence before us, subject's assessment was reasonably supported by the comparable sales information presented by Respondent.

For the reasons above, the decision of the Madison County Board of Equalization is affirmed.

FINAL ORDER

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

DATED this 4th day of January, 2016.