

BEFORE THE IDAHO BOARD OF TAX APPEALS

IN THE MATTER OF THE APPEAL OF NIELSEN'S) APPEAL NO. 13-A-1146
& SONS, INC. from a decision of the Bannock)
County Board of Equalization for tax year 2013.) FINAL DECISION
) AND ORDER

COMMERCIAL PROPERTY APPEAL

THIS MATTER came on for hearing November 4, 2013, in Pocatello, Idaho before Board Member David Kinghorn. Board Members David Kinghorn, Linda Pike and Leland Heinrich participated in this decision. President Jeff Nielsen appeared at hearing for Appellant. Assessor David Packer and Appraiser Randy Larsen appeared for Respondent Bannock County. This appeal is taken from a decision of the Bannock County Board of Equalization modifying the protest of valuation for taxing purposes of property described by Parcel No. RPPOC225601.

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

The decision of the Bannock County Board of Equalization is modified.

FINDINGS OF FACT

The assessed land value is \$59,850, and the improvements' valuation is \$150,652, totaling \$210,502. Appellant requests the total value be reduced to \$150,000.

The subject property is a 12,600 square foot parcel improved with a 10,200 square foot structure built in the early 1900's. The building consists of both retail and warehouse space. The retail portion is single level with 1,800 square feet and the warehouse portion is two (2) stories totaling 8,400 square feet. Subject is located in the Old Town District in Pocatello, Idaho.

Appellant explained subject is located in a historic district. This limits the options in making improvements. Further, Appellant declared there was less foot traffic near subject because it is located in a less desirable area of town. Appellant described the interior improvements as being in poor condition and not well suited for warehouse space. There are

many support columns located throughout the interior which was said to limit forklift access. Lastly, Taxpayer suggested if the County were to physically inspect subject, perhaps the assessed value would not be as high.

Appellant discussed several commercial property sales located in close proximity to subject. Appellant reported the most similar property to subject in terms of age and design, with both retail and commercial space, sold for \$70,000. Respondent offered testimony that this sale price was actually \$106,000.

Appellant provided a letter from a realtor suggesting a reasonable asking price for subject would be somewhere between \$150,000 and \$160,000. The listing price was based on subject lacking street appeal and traffic count.

Respondent offered value opinions for subject using the cost, sales comparison, and income approaches to value. Three (3) land sales from 2008, 2010 and 2011 were presented in support of subject's land value. The sale prices were between \$6.00 and \$10.83 per square foot. Subject's land was valued at \$5 per square foot.

Using the sales comparison approach, Respondent relied on three (3) retail and/or warehouse sales which sold in 2011 and 2012. The sale prices were between \$106,000 and \$260,000. Sale No. 1 was a retail floral shop built with concrete block and brick veneer. The building was newer and 675 square feet larger than subject. This property sold for \$70.71 per square foot, which included the land value.

Sale No. 2 was a brick-built, 2-story warehouse built in 1902. The location was described as having less foot traffic than subject. The lot was larger and the improvements were 600 square feet smaller than subject. The property sold for \$13.59 per square foot, including the

land value. This sale was also provided in Appellant's exhibit material. Appellant declared it was the most similar sale to subject.

Sale No. 3 was the same size as subject, built in 1889, and had no off-street parking. This property is a solid brick, 2-story furniture store and warehouse. This property sold for \$25.49 per square foot. Respondent suggested this sale property was the most comparable with subject.

Appellant testified the sales used by Respondent, with the exception of Sale No. 2, were not comparable with subject. In Appellant's opinion, Respondent's sales were located in areas with more foot traffic, were newer, and were generally in overall better condition.

Subject's 1,800 square feet of the retail space was originally assessed at \$117,000 or \$65 per square foot, and the 8,400 square foot warehouse portion was assessed at \$109,200 or \$13 per square foot. Including land, the total originally proposed assessment was \$226,200, or \$22.18 per square foot. The BOE reduced the improvements' assessment to \$150,652, for a new total assessed value of \$210,502, or \$20.64 per square foot.

Using the cost approach, the County calculated the cost to replace subject at \$539,766. After a depreciation factor of 70% was applied, the result was an improvement value of \$161,930.

In the income approach, Respondent examined 10 commercial properties. Capitalization rates ranged from 6% to 8.5%. Respondent used a rate of 9.5% for subject which resulted in an indicated value of \$130,263 for the improvements. Adding the land value indicated a total value of \$193,263 under the income approach.

In reconciling the value indicators, the County placed an equal weight of 40% on both the

cost and market approaches. The income approach was weighted 20%.

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.

For purposes of taxation, Idaho Code § 63-205 requires taxable property be assessed annually on January 1 of the relevant tax year, at market value. Market value is defined in Idaho Code § 63-201 as follows:

“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.

“[T]here are three primary methods of determining market value: the cost approach . . . the income approach . . . and the [sales comparison] approach, in which value of the assessed property is ascertained by looking to current open market sales of similar property.” *Merris v. Ada County*, 100 Idaho 59, 63; 593 P.2d 394, 398 (1979).

Appellant described subject’s condition as poor, with building use constraints and limitations. It was noted there are many columns in the warehouse space which limit the use of a forklift. Appellant obtained a Realtor’s opinion of value, the asking price ceiling was suggested to be somewhere between \$150,000 and \$160,000.

Appellant contended Respondent’s sale properties were not comparable to subject in several areas including location and condition. We do not find where the County adjusted for,

or specifically considered, such differences. Appellant suggested Respondent's Sale No. 2 was most similar to subject in terms of condition and location.

Respondent evaluated subject using all three (3) approaches to value. The sales comparison approach indicated a total value of the improvements of \$163,200, or \$226,200 including the land. The cost approach resulted in an estimated total value of \$161,930. Lastly, using the income approach, an improvements value of \$130,263 was concluded, or \$193,263 including the land. Respondent put 40% weight on both the market and cost approaches, with a 20% weight on the income approach.

Pursuant to Idaho Code § 63-511, Appellant bears the burden of proving by a preponderance of the evidence that subject's assessed valuation is erroneous. In this instance, the Board finds that burden has been satisfied, however, we did not find that the evidence pointed to the requested value of \$150,000. Giving due consideration to subject's functional use, poor condition, and location difficulties, along with all the value indicators and other value evidence offered, the Board will reduce subject's total assessed value to \$185,000. The decision of the Bannock County Board of Equalization is modified accordingly.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Bannock County Board of Equalization concerning the subject parcel be, and the same hereby is, MODIFIED to reflect a decrease to \$185,000. The indicated reduction in value is applicable to the improvements value.

IT IS FURTHER ORDERED that 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 6th day of February, 2014.