

BEFORE THE IDAHO BOARD OF TAX APPEALS

PUBB, LLC,)	
)	
Appellant,)	APPEAL NO. 15-A-1003
)	
v.)	FINAL DECISION
)	AND ORDER
ADA COUNTY,)	
)	
Respondent.)	
)	
_____)	

COMMERCIAL PROPERTY APPEAL

This appeal is taken from a decision of the Ada County Board of Equalization denying the protest of valuation for taxing purposes of property described by Parcel No. R7476000592. The appeal concerns the 2015 tax year.

This matter came on for hearing October 6, 2015 in Boise, Idaho before Board Member Linda Pike. Bruce Beerman appeared at hearing for Appellant. Tim Tallman represented Respondent.

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

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

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

FINDINGS OF FACT

The assessed land value is \$263,100, and the improvements' value is \$441,500, totaling \$704,600. Appellant contends the correct total value is \$554,310.

The subject property is a .60 acre parcel located near the downtown area of Boise, Idaho. The parcel is improved with a two (2) story commercial building comprised of 5,100 square feet on the main floor and 2,887 square feet in the upper level. The building was constructed in 1967.

Appellant described subject's immediate area as burdened with vagrancy issues stemming from a nearby homeless shelter and encampment. Appellant described the vagrancy impact as noticeable and ongoing. Appellant submitted photographs depicting trash and other items left behind, which was noted to be a regular occurrence.

For value evidence Appellant provided an abbreviated comparative market analysis (CMA) prepared by a local commercial real estate broker. The CMA considered four (4) sales and three (3) active listings, all of which concerned single-level commercial buildings. The sales occurred between 2011 and 2014 and involved retail-type properties, like subject. The sale properties involved buildings constructed between 1941 and 1976 and which varied in size from 2,400 to 12,200 square feet. Sale prices ranged from \$376,400 to \$925,000. The listings involved newer buildings constructed between 2000 and 2008. Sizes ranged from 6,833 to 10,088 square feet. Asking prices were between \$599,000 and \$985,000. The CMA concluded a value of roughly \$555,000 for subject. Respondent argued the properties in the CMA actually supported subject's assessed value. With sale prices ranging from \$83.33 to \$108.59 per square foot, Respondent maintained subject's assessed value at roughly \$88 per square foot was reasonable.

Appellant additionally referenced assessed values of eight (8) commercial properties in subject's neighborhood. Details such as size, age, and other key physical characteristics were not shared. Assessed values ranged from \$36.98 to \$76.26 per square foot. Subject was assessed \$88.77 per square foot.

Respondent noted since subject's purchase in 2011 for \$600,000, Appellant had made tenant improvements with a cost total of roughly \$50,000. Respondent also remarked subject's

value had only increased 17% since 2011, which was conservative given the improving local commercial market.

Respondent relied primarily on an income approach in support of subject's value. Rather than using subject's actual contract rents, Respondent used market rents in developing the potential gross income estimate. Subject's contract rent for the first floor was not used because the space is owner-occupied. And rather than using the contract rent of \$9 per square foot for the upper floor, Respondent used a typical market rental rate of \$8 per square foot. The analysis utilized an 8.25% vacancy and collection rate, an 11% operating expense rate, and a capitalization rate of 9%. Supporting data was provided for the various rates. Respondent noted the market capitalization rate was actually 8.25%, however, a 9% rate was used to account for the vacancy issues described by Appellant. Respondent determined a value of \$738,131, or \$93 per square foot for subject.

Respondent also considered an income approach using subject's actual income information. This resulted in roughly \$4,000 less potential gross income. The same vacancy, expense, and capitalization rates from above were used. The result was a total value conclusion of \$706,999, or \$89.08 per square foot. Subject's total assessed value is \$704,600.

Respondent further provided information concerning rental rates in subject's general area. The first was a retail property located across the street from subject. The 1950 building with 1,950 square feet had rental rate of \$14 per square foot. The remaining properties were office buildings notably larger than subject. Rental rates varied from \$11 to \$19 per square foot.

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. The three (3) primary methods for determining market value are the cost approach, the income approach, and the sales comparison approach. *Merris v. Ada County*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). Commercial properties are commonly valued using the income approach.

Appellant’s value evidence centered primarily on assessed values of nearby commercial properties and a CMA report prepared by a local real estate broker. While the Board understands Appellant’s concerns regarding varying commercial assessment rates, a comparison of assessed values is not a recognized appraisal approach. As a result, minimal weight was afforded the referenced property assessments.

The sales used in Appellant's CMA report were generally well received by the Board, even though most occurred a few years ago. The CMA concluded a value of roughly \$555,000 for subject, which conclusion was reached by applying a rather large adjustment to subject's upper floor space. The Board's concern with the CMA is no support was given for the adjustment and no direct comparisons between subject and the sale properties were attempted. On an

unadjusted basis, the average price of the sales was \$92 per square foot, which is more than subject's assessed value of roughly \$88 per square foot.

Most compelling to the Board was Respondent's income approach analyses. Respondent performed two (2) income approaches and provided support for the various market adjustments made in each. Respondent also factored in the negative influence caused by the nearby homeless shelter. Both approaches yielded value conclusions in excess of subject's current assessed value. While the Board is sympathetic to the challenges associated with subject's location, Respondent's market information from the immediate area did not support the deep discount requested by Appellant. In all, the Board found Respondent's value position well supported and reasonable given the available market data.

Idaho Code § 63-511 requires Appellant to demonstrate error in subject's valuation by a preponderance of the evidence. Given the evidence in this matter, the Board does not find the burden of proof satisfied. Overall, Respondent presented the stronger valuation case. As such, the Board does not find occasion to disturb the value determined by Respondent.

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

FINAL ORDER

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

DATED this 9th day of February, 2016.