

BEFORE THE IDAHO BOARD OF TAX APPEALS

VISION BUILDINGS, LLC,)	
)	
Appellant,)	APPEAL NO. 14-A-1123
)	
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 modifying the protest of valuation for taxing purposes of property described by Parcel No. R1573690143. The appeal concerns the 2014 tax year.

This matter came on for hearing November 12, 2014 in Boise, Idaho before Hearing Officer Cindy Pollock. Manager Lin Waterman appeared at hearing for Appellant. Chief Deputy Assessor 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 modified.

FINDINGS OF FACT

The assessed land value is \$386,700, and the improvements' valuation is \$3,767,600, totaling \$4,154,300. Appellant contends the correct improvements' value is \$2,680,400, with no change to the land value of \$386,700, for a total value of \$3,067,100.

The subject property is a 2.09 acre parcel improved with a 38,891 square foot office building, constructed in 2005. The building consists of office space and some additional warehouse/production space. Subject is located in the West Bench area of Boise, Idaho.

Appellant questioned why subject's assessed value had increased since 2007 despite the decline in the overall real estate market during that span. Appellant submitted a statistical market review analysis pertaining to office buildings located in the Treasure Valley. Appellant pointed to the West Bench area with a suggested 28.8% vacancy rate. Appellant further provided income and expense data related to subject. Appellant testified in length regarding the consequences of increased taxes and the negative effect on the owners.

Appellant contended subject should be assessed based on actual net income and circumstances. In 2013, there were four (4) tenants in the building. It was further explained, the largest tenant plans to vacate the premises in the near future. Appellant stated a diligent search has been ongoing to find tenants for the soon to be vacated space, as well as the unoccupied space. In 2013, subject was listed for sale with an asking price of \$5,500,000, which was subsequently reduced to \$4,500,000 in mid-2014.

Appellant provided four (4) sales for comparison with subject. Two (2) of the sales took place in 2014, one (1) in 2013, and the date of the remaining sale was not provided. Two (2) of the sales were located in Boise, and two (2) were located in Meridian. The sale properties were between 12,240 and 16,292 square feet. Sales prices ranged from \$525,000 to \$935,000, or between \$33 and \$65 per square foot. Appellant noted the two (2) lower priced sales were the properties located in Boise. Respondent countered two (2) of the sales involved bank-owned properties. The two (2) Boise sales were the same property with different sale dates, however, Respondent only recognized one (1) transfer.

Respondent explained subject was re-appraised for 2013 and trended for 2014. The Ada County Board of Equalization then adjusted subject's 2014 value to \$4,154,300. The adjustment

was based on a consideration of subject's actual 2013 income and expenses which were provided by Appellant. Since that time, Respondent has reinspected the subject property and discovered some of the square footage previously assumed to be office space was actually warehouse/production space. Each rented space was analyzed and adjusted accordingly. Respondent used a market rent of \$12 per foot for the finished office space, and lower adjusted rates for shell space and other space with minimal interior finish. Respondent used a capitalization rate of 8.5%. Respondent's original analysis reflected an effective vacancy rate that was higher than actual. Based on the updated analysis it was recommended subject's assessed value be adjusted to \$3,769,700, or \$96.93 per square foot.

Information on the sales comparison approach was also offered by Respondent. Four (4) office building sales were compared with subject. Three (3) sales took place in 2012, and one (1) sold in 2013. Three (3) of the sales were located in Meridian, with the remaining sale being in Boise. The buildings contained between 9,102 and 25,800 square feet, with sale prices between \$106 and \$139 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 generally requires taxable property be assessed annually at market value on January 1; January 1, 2014 in this case. The definition of market value is found in Idaho Code § 63-201, which provides,

“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.

There are three (3) generally accepted methods for determining market value; the cost approach, the income approach, and the sales comparison approach. See *Merris v. Ada County*, 100 Idaho 59, 63 (1979). Respondent relied primarily on the income approach in determining subject’s current assessed value, but also, considered the sales comparison approach as well.

Respondent’s income approach looked to information obtained from the market, as well as the individual subject property. On Appeal, Respondent reinspected subject and rental rates were adjusted based on subject’s actual use and condition. Market rents, vacancy rates, and capitalization rates were all reviewed. Respondent calculated a new recommended value for subject of \$3,769,700 using the income approach.

Appellant argued subject’s actual income and vacancy rate information should be used, which was lower than the rental rate used by Respondent. While the Board agrees subject’s actual income and expense data should be analyzed when made available, we did not find here that it should be the only information considered. In valuing property the standard requires consideration of market rent, which may be somewhat different than the actual rent of an individual property. The Board found no error in Respondent’s consideration of broader market information. In fact, we found Respondent reasonably processed the income approach to value.

The date of valuation in this appeal is January 1, 2014. See Idaho Code § 63-205. The appraisal is retrospective in nature, which means market information occurring after the valuation

date should not be relied on as a recent comparable sale. Appellant provided information on several sales, however, three (3) of the sales closed in 2014. As such, these sales were not considered in this decision. The remaining sale was an office building located in Meridian which sold for \$935,000, or \$60 per square foot. It was half the size of subject, and we fail to see a high degree of comparability between this sale and subject. Further, as noted on the sales sheet it was a bank sale, which indicated the sale may have been distressed.

Appellant provided information on subject's vacancy and general market information but did not demonstrate how this correlates to subject's market value. Also, it was not clear how the actual income and expense data was used to arrive at Appellant's proposed value of \$3,067,100. The Board also took note that subject was listed in 2013 for \$5,500,000, and subsequently reduced in mid-2014 to \$4,500,000 which is still substantially higher than the value sought in this appeal.

Respondent provided a detailed analysis of the market value estimated for subject. After the reinspection of subject, Respondent concluded the value should be reduced to \$3,769,700, or about \$97 per square foot. Given the evidence in record, Respondent's request to reduce subject's value was well supported. Therefore, the Board will modify the decision of the Ada County Board of Equalization, setting subject's total market value at \$3,769,700.

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, MODIFIED to reflect a decrease in subject's total value to \$3,769,700. The indicated reduction in value shall be understood to apply to the improvements.

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 25th day of March, 2015.