

BEFORE THE IDAHO BOARD OF TAX APPEALS

CALVARY CHAPEL OF EMMETT, INC.,)	
)	
Appellant,)	APPEAL NO. 17-A-1221
)	
v.)	FINAL DECISION
)	AND ORDER
GEM COUNTY,)	
)	
Respondent.)	
)	
)	
)	

COMMERCIAL PROPERTY APPEAL

This appeal is taken from a decision of the Gem County Board of Equalization denying the protest of valuation for taxing purposes of property described by Parcel No. RPE1090C020190. The appeal concerns the 2017 tax year.

This matter came on for hearing October 5, 2017 in Emmett, Idaho before Hearing Officer Cindy Pollock. Board Member Nuhn was present at hearing. Michael Hughes represented Appellant at hearing. Assessor Rick Johnston represented Respondent.

Board Members David Kinghorn, Leland Heinrich and Kenneth Nuhn join in issuing this decision.

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

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

FINDINGS OF FACT

The assessed land value is \$80,840 and the improvements' value is \$388,100, totaling \$468,940. Appellant contends the correct total value is \$300,000.

The subject property is a 1.56 acre parcel improved with a 6,262 square foot multi-purpose building built in 2008. The property is located in Emmett, Idaho.

Appellant purchased subject from a bank for \$290,000 in 2016. The property had been

marketed for approximately one (1) year by a commercial broker with little or no activity before the purchase transaction. Subject was originally listed for \$350,000. Respondent contended the purchase was not arm's-length or valid so did not include the sale in its analysis.

Appellant offered a fee appraisal report, involving subject, with an effective valuation date of July 22, 2016. The subject property is currently used as a daycare center. Appellant's fee appraiser considered subject a special use property and explained there would only be a few other possible uses besides a daycare, all of which would require extensive remodeling. The appraisal detailed some of the history leading up to Appellant's purchase. The appraisal described subject's deficiencies which are due to the special use of subject. Prior to the most recent purchase, the property had been the subject of two (2) foreclosures.

The fee appraisal valued subject as a dedicated daycare improvement. The building was said to be of fair to average quality. The appraiser noted site improvements included paved parking and drop off lane, concrete and asphalt walkways, lighting, landscaping, signage, concrete patios, a covered shelter and play areas. The appraisal came to the conclusion subject's purchase price of \$290,000 was a good indication of market value.

The fee appraisal provided information on six (6) special use-daycare sales for comparison with subject. The comparable sales were dated from August 2012 to March 2016. The sale properties were located in neighboring counties. The sale improvements were between 1,596 and 7,000 square feet in size. Sale prices ranged from \$52,500 to \$450,000, and indicated price rates between \$33 and \$72 per square foot. Adjustments were made for differences between the selling properties and subject. The adjusted price rates ranged from \$36 to \$63 per square foot. After giving more weight to the most similar comparables, the

appraisal concluded a value rate for subject of \$44 per square foot, and adding a value of \$22,100 for excess land, arrived at an "as is" value for the daycare of \$300,000.

Respondent discussed the history of the subject property, in that both the recent sales in 2012 and 2016 were bank foreclosure sales. Therefore these sales were not considered arm's-length transactions and not used in its market value analysis.

Respondent explained there were only four (4) unimproved commercial land sales since 2013 in subject's immediate area. The vacant land prices ranged between \$70,281 and \$208,333 per acre. Subject is valued at \$51,821 per acre. Subject's assessed land value was not increased due to its inferior location in relation to the bare land sales.

Respondent calculated the overall value of subject in the cost approach at \$468,940, or \$75 per square foot. After removing the value of an outbuilding and land, the residual value of the main building was \$58.87 per square foot, which Respondent contended fell within its sales indications, on the same basis, of \$50 to \$68 per square foot.

Respondent provided information on three (3) commercial sales which sold in 2015 and 2016. The sales involved a business office, a medical office, and a medical center. Sale prices minus land values indicated price rates between \$50 and \$68 per square foot. Using the sales comparison approach, Respondent arrived at a total value conclusion for subject between \$395,000 and \$517,500, including land.

Looking to the income approach, Respondent calculated subject's useable area and multiplied a market rent estimate of \$10.50 per square foot annually to derive a gross income estimate of \$65,751. A 30% expense rate was used resulting in net income of \$46,025. A capitalization rate of 8.89% was used to determine a final income approach value of \$517,724.

Respondent concluded subject's assessed value of \$468,940 was supported by the three (3) approaches.

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, 2017 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.

There are three (3) generally accepted approaches to value; cost, income, and sales comparison (market) approaches. *Merris v. Ada County*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). Both parties provided appraisals for the Board's review. Appellant's appraisal dated July 22, 2016, valued subject at \$300,000, and Respondent's January 1, 2017 appraisal valued subject at \$468,940.

The Board agrees with Appellant in that subject is currently a special-use property. We recognize subject could be used for something other than a daycare facility, however, the history of the property and its current configuration best lends itself to a valuation based on its current use.

Appellant purchased subject from a bank. Appellant's appraisal noted subject's past

history of foreclosures, and suggested its most recent listing period and subsequent purchase established a reliable basis for subject's current market value. While we agree the recent sale of the property being valued can be important value evidence, market value is typically derived from consideration of multiple sales of similar property, along with a consideration of other information. "[M]arket value' can not be established by a single arm's length transaction in which a unique property . . . is sold for cash . . . 'market value' becomes an important standard of measurement in the valuation of property only after there have been numerous sales or exchanges of similar property." *Janss Corp. v. Bd. of Equalization of Blaine County*, 93 Idaho 928, 931, 478 P.2d 878, 881 (1970). The Board does not typically rely solely on a single recent sale. However we did find subject's purchase price information in 2016 and the information connected with the lengthy listing should be afforded some weight, keeping in mind the somewhat atypical seller.

Appellant's appraisal looked to the market and found special-use daycare properties like subject. Sale prices ranged from \$52,500 to \$450,000, or between \$33 and \$72 per square foot. After adjustments were made for differences, the adjusted price rates ranged between \$36 and \$63 per square foot. Based on the sales analysis, the appraisal concluded a value rate for subject of \$44 per square foot, and added in a value of \$22,100 for excess land to arrive at a total value of \$300,000.

Respondent provided three (3) methods of valuation to support subject's assessed value of \$468,940. Respondent's income and cost approaches yielded similar value conclusions, whereas the market approach concluded a wide range of value between \$395,000 and \$517,000. While the Board understands and appreciates the three (3) methods presented, we

find from subject's history, and the recent sale-related information, a further depreciation should have been taken into consideration. The record was clear subject is a unique property with significant functional and external obsolescence, and this should be taken into consideration, impacting the property's market valuation. Directly related to subject was its lengthy listing on the open market, the history of the property, and the most recent sale. Due to subject's special use and uniqueness some consideration must be afforded the property's recent pricing history.

Idaho Code § 63-511 places the burden on Appellant to establish subject's valuation is erroneous by a preponderance of the evidence. We find the burden of proof satisfied in this instance, though we did not find sufficient support to reduce subject's value to that petitioned by Appellant. Overall, the Board found Appellant's valuation analysis relatively thorough and on point. Looking at all the evidence in record we found a reduction was warranted here. For the reasons expressed, the decision of the Gem County Board of Equalization is modified to reflect a total value for the subject property of \$350,000. The indicated reduction in total value is accounted to the improvements. We did not find cause to reduce the land's assessed value.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Gem County Board of Equalization concerning the subject parcel be, and the same hereby is, MODIFIED setting the total assessed value at \$350,000.

IT IS FURTHER ORDERED, pursuant to Idaho Code § 63-1305, 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.

Idaho Code § 63-3813 provides that under certain circumstances the above ordered value

for the current tax year shall not be increased in the subsequent assessment year.

DATED this 18th day of December, 2017.