

BEFORE THE IDAHO BOARD OF TAX APPEALS

APARTMENTS R US, LLC,	)	
	)	
Appellant,	)	APPEAL NOS. 17-A-1275 &
	)	17-A-1276
v.	)	
	)	FINAL DECISION
TWIN FALLS COUNTY,	)	AND ORDER
	)	
Respondent.	)	
_____	)	
	)	
	)	

**COMMERCIAL PROPERTY APPEALS**

These appeals are taken from two (2) decisions of the Twin Falls County Board of Equalization denying protests of valuation for taxing purposes of properties described by Parcel Nos. RPT1681000012AA and RPT0041000007DA. The appeals concern the 2017 tax year.

These matters came on for hearing November 16, 2017 in Twin Falls, Idaho before Board Member David Kinghorn. Attorney John Lezamiz appeared at hearing for Appellant. Twin Falls Prosecuting Attorney Nancy Austin represented Respondent.

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

**The issue on appeal concerns the market values of two (2) improved commercial properties.**

**The decisions of the Twin Falls County Board of Equalization are modified.**

FINDINGS OF FACT

These appeals were heard as part of a series of appeals involving largely similar issues, so the parties stipulated the evidentiary records in those other appeals be also considered in these appeals, where relevant. As such, the Board hereby takes notice of the records created in Appeal Nos. 17-A-1267 through 17-A-1277. Further, because these two (2) appeals center on the same specific issues, they are hereby consolidated into this single decision.

Appeal No. 17-A-1275 - Parcel No. RPT1681000012AA

The assessed land value is \$46,960, and the improvements' value is \$75,673, totaling \$122,633. Appellant contends the correct total value is \$109,723.

This subject property (hereinafter *Elmwood*) is a .356 acre commercial parcel situated along the Perrine Coulee waterway in Twin Falls, Idaho. The property is improved with a two (2) story apartment building comprised of five (5) rental units. The building was constructed in 1965.

Appeal No. 17-A-1276 - Parcel No. RPT0041000007DA

The assessed land value is \$39,388, and the value of the improvements is \$221,020, totaling \$260,408. Appellant contends the correct total value is \$229,091.

This subject property (*Heyburn*) is a 1.146 acre commercial parcel situated along the Perrine Coulee waterway in Twin Falls, Idaho. The property is improved with four (4) four-plexes and a detached equipment storage shed. The buildings were constructed in 1976. *Heyburn* is located a couple blocks from the above *Elmwood* property.

Appellant brought forth two (2) issues concerning the subject properties; 1) the adjustment factor applied to subjects was not uniformly applied to all commercial properties, and 2) Respondent failed to consider the affect on subjects' values by virtue of being located in a flood zone. On the first issue, Appellant noted an upward 15% influence factor was applied to subjects' land values and an additional upward 15% neighborhood factor was applied to the values of subjects' improvements. Appellant pointed out not all commercial properties in the county received the same adjustment factors. It was argued Respondent's use of different factors for different neighborhoods was arbitrary and disrupted uniformity in property

assessments.

Respondent explained commercial values in most parts of the county were increased for 2017 due to the recent ratio study results. The referenced ratio study measured the differences between sale prices and assessed values during 2016. Based on this analysis, it was determined commercial values needed to be increased to reflect current market levels. Rather than apply the same adjustments to every commercial property in the county, Respondent instead studied the sales activity from within the eight (8) distinct commercial neighborhoods in the county and determined specific adjustment rates for each neighborhood. In subjects' case, the market data indicated 15% adjustments were needed for both land and improvement components to reflect current market values. These adjustments were consistently applied to subjects and all other commercial property within the same neighborhood.

Turning to the second issue, Appellant provided a FEMA flood zone map which depicted the area around the Perrine Coulee, where subjects are located, as a high-risk flood zone. Appellant provided photographs from the prior year showing the flooding at the subject properties. Appellant estimated flooding had occurred in four (4) of the last seven (7) years. Appellant also offered opinion letters from two (2) local real estate professionals and a local appraiser, all of whom agreed a property located in a flood zone would likely spend more time on the market and would command a lower price than a property not similarly burdened with flooding issues. A letter suggested a potential flood adjustment would range from 5% to 40%. Appellant contended subjects' values should be reduced 25% to properly account for being located in a high-risk flood zone.

Respondent agreed a property's market value would likely be negatively affected if it were

located in a known flood zone. However, Respondent maintained an appraisal adjustment was not warranted because there was insufficient data to support its quantification.

### 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.

Market value is estimated according to recognized appraisal methods and techniques. The sales comparison approach, the cost approach, and the income approach constitute the three (3) primary methods for estimating the market value of real property. *Merris v. Ada County*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). Commercial property can be valued using any of the above approaches, though common commercial property is typically valued using the income and sales comparison approaches.

Neither party provided any sales or income information for the Board's consideration. The only complete value evidence or analysis was Respondent's cost approaches. In the analyses, Respondent applied market-based adjustments to reflect current market levels. Appellant contested Respondent's application of the adjustments because the same factors were not

applied to all commercial properties countywide. While the Board understands Appellant's concerns, we find Respondent's methodology is based on sound appraisal principles. It is well understood location plays a key role in determining a property's market value. To apply a blanket adjustment to all properties in a particular class without regard for location would essentially remove location from the analysis altogether. Respondent's approach emphasized the importance of the location influence by applying neighborhood-specific market-based adjustment factors. Given the availability and distribution of sales in the county, the Board finds no error in Respondent's methodology.

While the Board approved of Respondent's basic approach to valuing subjects, there was one (1) notable concern. Subjects are located in a high-risk flood zone and the properties do indeed flood on a reoccurring basis. Respondent reluctantly agreed a downward adjustment should normally be made, but contended the adjustment was inappropriate here without data to support a quantified measurement. Respondent's point is well taken, however, it is clear from this Board's experience, plus the opinions of both parties and three (3) real estate experts consulted by Appellant, subjects' values are negatively impacted by the flood zone issue. This must be factored into subjects' market valuations. Admittedly, there is not enough data to point to an objective adjustment rate, however, in the Board's view absent the measured factor a 10% downward adjustment is fair and reasonable in this instance.

Appellant bears the burden of proving error in subjects' valuations by a preponderance of the evidence pursuant to Idaho Code § 63-511. Appellant did not provide any sales or other market value evidence to support the value reductions requested. Appellant did, however, demonstrate to the Board's satisfaction adjustments are warranted for subjects being situated

in a high-risk flood zone.

Based on the above, the decisions of the Twin Falls County Board of Equalization are modified to reflect the following values:

Appeal No. 17-A-1275 (Elmwood) - Parcel No. RPT1681000012AA

Land	\$ 42,264
<u>Improvements</u>	<u>\$ 68,106</u>
Total	\$110,370

Appeal No. 17-A-1276 (Heyburn) - Parcel No. RPT0041000007DA

Land	\$ 35,449
<u>Improvements</u>	<u>\$198,918</u>
Total	\$234,367

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decisions of the Twin Falls County Board of Equalization concerning the subject parcels be, and the same hereby are, MODIFIED as detailed in the above decision.

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

DATED this 12<sup>th</sup> day of February, 2018