

BEFORE THE IDAHO BOARD OF TAX APPEALS

REINSTEIN PROPERTIES, LP,)	
)	
Appellant,)	APPEAL NO. 17-A-1280
)	
v.)	FINAL DECISION
)	AND ORDER
TWIN FALLS COUNTY,)	
)	
Respondent.)	
_____)	

COMMERCIAL PROPERTY APPEAL

This appeal is taken from a decision of the Twin Falls County Board of Equalization denying the protest of valuation for taxing purposes of property described by Parcel No. RPT1851002003AA. The appeal concerns the 2017 tax year.

This matter came on for hearing November 30, 2017 in Twin Falls, Idaho before Hearing Officer Cindy Pollock. Partner Dennis Reinstein represented Appellant at hearing. Deputy Prosecutor 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 value of an improved commercial property.

The decision of the Twin Falls County Board of Equalization is affirmed.

FINDINGS OF FACT

The assessed land value is \$90,327, and the improvements' value is \$287,658, totaling \$377,985. Appellant contends the correct total value is \$345,000.

The subject property is a .304 acre commercial parcel located along Falls Avenue in Twin Falls, Idaho. The property is improved with a commercial building comprised of 2,444 square feet of office space on the main floor and 1,266 square feet in the basement. The basement has

253 square feet of unfinished area. The building was constructed in 2000.

Appellant purchased subject in August 2016 for \$345,000 in what was characterized by Appellant as an arm's-length transaction between unrelated parties. The property was originally listed for \$459,000 and sold after 165 days on the market. The building was empty at the time of purchase and remains vacant today despite efforts to advertise the property through a leasing agent. In Appellant's view, subject's purchase price represents the best evidence of current market value and it was argued the assessed value be reduced accordingly.

Respondent questioned whether subject's purchase price was at market. Respondent explained the property was previously owned by the Twin Falls chapter of the YMCA. News outlets reported in mid-2016 the local chapter was found to have misused nearly \$700,000 in donations. An investigation by the Idaho Attorney General followed and the chief executive officer of the Twin Falls YMCA resigned. Respondent contended the YMCA was under atypical compulsion to sell the property in response to financial difficulties, so the sale price was likely below market. Respondent also commented subject was on the market for only 165 days, which time frame falls well below the typical local commercial property listing period of one (1) to two (2) years.

As for subject's valuation, Respondent explained it was the result of market-derived trends applied to all commercial property in the City of Twin Falls. A ratio study analysis, which compared 2016 sale prices to the respective assessed values, indicated commercial values were below market and therefore needed to be increased for 2017. Rather than apply a blanket adjustment to all commercial properties, Respondent separated the forty (40) commercial sales used in the study into distinct neighborhoods, Adjustment factors were then determined for each

individual neighborhood. Subject's neighborhood received an upward 10% adjustment to land values and an upward 15% adjustment to improvement values.

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 income approach, and the cost approach represent the three (3) methods for determining market value. *Merris v. Ada County*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979).

Appellant argued the August 2016 purchase price of \$345,000 represented the best indicator of subject's current value. While the Board agrees a recent purchase of the property being valued is generally regarded as strong evidence of its current market value, we are not convinced such is the case here. The financial troubles of the prior owner were well-documented in media reports and led to an inquiry by the Idaho Attorney General. It cannot be known for certain whether the seller's financial pressures actually influenced subject's sale price,

but it seems reasonable in the Board's view the seller was under some atypical compulsion to sell the property. This view is further evidenced by the rather short listing period and the sharp drop in price. The Board is also well aware market value is generally not determined with only a single sale. "[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 Cnty.*, 93 Idaho 928, 931, 478 P.2d 878, 881 (1970). In all, the Board was cautious to place too much weight on subject's purchase price.

Respondent broadly explained commercial values were increased across the city for 2017 as a result of the ratio study which indicated values were too low. To this end, Respondent applied neighborhood-specific adjustment factors, resulting in increased commercial values across the board. While Respondent's methodology for developing values is understood, the Board would have preferred an analysis more focused on an appraisal of subject's market value. Respondent reported forty (40) commercial sales during 2016, yet none were directly compared to subject, or used in any kind of sales comparison analysis. And it appears the income approach was not considered. That being said, the burden is with Appellant to demonstrate subject's valuation is erroneous by a preponderance of the evidence. Idaho Code § 63-511. Given the evidence presented in this matter, we did not find the burden of proof satisfied. Appellant's appraisal consideration consisted solely of subject's prior purchase price, without a time of sale adjustment. However, without more support from other sales or market data, we are unpersuaded to adjust subject's value on this basis. As such, the decision of the Twin Falls

County Board of Equalization is affirmed.

FINAL ORDER

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

DATED this 14th day of February, 2018.