

BEFORE THE IDAHO BOARD OF TAX APPEALS

RIVER PARKWAY PLACE, LLC,)	
)	
Appellant,)	APPEAL NO. 18-A-1243
)	
v.)	FINAL DECISION
)	AND ORDER
BONNEVILLE COUNTY,)	
)	
Respondent.)	
_____)	
)	
)	

COMMERCIAL PROPERTY APPEAL

This appeal is taken from a decision of the Bonneville County Board of Equalization modifying an appeal of the valuation for taxing purposes on property described by Parcel No. RPA2570001002O. The appeal concerns the 2018 tax year.

This matter came on for hearing November 29, 2018 in Idaho Falls, Idaho before Hearing Officer Cindy Pollock. LLC Manager Dane Watkins represented Appellant at hearing. Assessor Blake Mueller 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 Bonneville County Board of Equalization is affirmed.

FINDINGS OF FACT

The assessed land value is \$470,450, and the improvements' value is \$1,632,941, totaling \$2,103,391. Appellant contends the market value is \$1,194,295.

The subject property is a 2.16 acre commercial parcel located near the greenbelt along the Snake River in Idaho Falls, Idaho. The property is operated as a hotel business, with 22,418 square feet of convention center and restaurant space, plus an additional 21,124 square feet

dedicated to fifty-five (55) rental units. The property is further improved with a 1,250 square foot outdoor swimming pool.

Appellant explained subject's assessed value remained steady at roughly \$1,200,000 for tax years 2016 and 2017, however for 2018, the Board of Equalization (BOE) set the value at \$2,103,391. It was argued subject's value should be reduced due to the property's deteriorated physical condition and poor financial performance.

Appellant detailed some of the difficult history experienced by the hotel since its construction in 1960, both in terms of ownership struggles, as well as physical deterioration of the improvements. With the exception of carpet, bed, and furniture replacements, it was noted the hotel has generally remained in its original condition. No additions or reconfiguration of the original design have occurred. Appellant testified some of the rental units have mold issues, the stairwells are unsafe, heating and air conditioning units do not function properly, and the building generally suffers water leakage issues from the fire suppression system and aging roof. Overall, the improvements were characterized as dilapidated and in need of many costly repairs, which Appellant claimed was not adequately reflected in subject's assessment.

Similar to the physical condition of the property, the business operations were described as generally poor. It was explained that currently only thirty-two (32) rooms are available for rent, with the remainder being out-of-service until necessary repairs are made. Also, Appellant estimated only about 600 square feet of the convention center and kitchen space is presently being used, which use is restricted to a breakfast buffet for hotel guests. The restaurant is not open to the general public. The restaurant's kitchen was noted to be in general disrepair with most of the equipment being non-operational, and the convention center was remarked to have

a leaky roof and no functioning heating/cooling system. For 2017, Appellant reported a loss of roughly \$250,000¹ on the hotel operations, and forecasted a similar result for 2018.

Appellant pointed to a nearby hotel property with a land value equating to about \$3 per square foot, and questioned whether subject's land rate of \$5 per square foot was equitable by comparison. Respondent highlighted the property referenced was nearly five (5) times larger than the subject parcel, and noted due to economies of scale, larger parcels are typically valued less per square foot than smaller parcels.

Respondent explained subject was part of a reappraisal effort for the 2018 tax year. The result of the reappraisal was a change in the land value rate to \$5 per square foot, as well as a change in the effective age of the improvements, going from an effective year built of 1960 to 1980, to reflect some of the updating work which has been done to portions of the property. A 50% downward adjustment was also applied to the value of the outdoor swimming pool because it was not operable as of the assessment date.

In terms of valuing subject, Respondent relied on the cost and income approaches. The sales comparison approach was disregarded because the indicated value under this approach appeared to be an outlier compared to the value indications derived from the other approaches. Details concerning the cost approach, such as physical, functional, or economic depreciation, were not shared. Respondent's cost approach yielded a value of \$1,434,029 for the improvements, to which a land value of \$470,450 was added, resulting in a final cost approach value of \$1,904,479.

¹The revenue and expense data provided by Appellant also included revenues and expenses attributable to the "Tower", which is an adjacent hotel also owned by Appellant. So, between the two (2) properties, a loss of roughly \$250,000 was realized for 2017.

Under the income approach, Respondent separated subject into two (2) distinct units: 1) the hotel, and 2) the restaurant/convention center. For the hotel unit, Respondent utilized a rental rate of \$21.50 per square foot, a vacancy rate of 40%, an expense rate of 55%, and a capitalization rate of 8.1%. For the restaurant/convention center unit, Respondent used the same vacancy and expense rates as used with the hotel unit, however a rental rate of \$12.99 per square foot was utilized and a capitalization rate of 10% was applied. The result for both units was a final value estimate of \$2,302,303 using the income approach.

Respondent equally weighted the above two (2) value indications and concluded a value of \$2,103,391 for subject.

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 the testimony and documentary evidence submitted by the parties, hereby enters the following.

Idaho Code § 63-205 requires taxable property be assessed at market value annually on January 1; January 1, 2018 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 represent the three (3) primary methods for estimating market value. *Merris v. Ada Cnty.*, 100 Idaho 59, 63,

593 P.2d 394, 398 (1979).

Appellant did not provide any specific market value evidence to support a reduction in subject's assessed market value. Some financial information relevant to the income approach was offered, however, it was noted the figures reported were "commingled" with revenues and expenses attributable to a separate hotel operation. Without more clarity, the Board was unable to correlate the income data provided with a meaningful indication of subject's market value. Likewise, Appellant broadly described the improvements as being in disrepair, however, cost estimates to cure the various deferred maintenance issues were not provided. Nor was it clear what improvements have been made to the property, even though the record indicated some updating work has been completed in recent years. In all, the Board was strained to find support for the value petitioned by Appellant.

Respondent's value evidence was better received, though the Board would have preferred more details concerning the cost approach, as well as how the vacancy, expense, and capitalization rates were determined in the income approach. That being said, Respondent's analysis most closely followed accepted appraisal practices, and was therefore judged to represent the better supported indication of subject's current market value.

Appellant bears the burden of proving error in subject's assessed valuation by a preponderance of the evidence. Idaho Code § 63-511. The burden of proof was not satisfied in this instance. Where Appellant did not provide any market data, and the record did not otherwise suggest an error in subject's valuation, the Board did not find adequate support for a reduction. As such, the decision of the Bonneville County Board of Equalization is affirmed.

FINAL ORDER

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

DATED this 15th day of February, 2019.