

BEFORE THE IDAHO BOARD OF TAX APPEALS

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| THE WATKINS CO., LLC, |) | |
| |) | |
| Appellant, |) | APPEAL NOS. 19-A-1220, |
| |) | 19-A-1221, 19-A-1222 |
| v. |) | & 19-A-1223 |
| |) | |
| BONNEVILLE COUNTY, |) | FINAL DECISION |
| |) | AND ORDER |
| Respondent. |) | |
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COMMERCIAL PROPERTY APPEALS

These appeals are taken from decisions of the Bonneville County Board of Equalization denying appeals of the valuation for taxing purposes on property described by the following Parcel Nos. RPA00007240200, RPA00007240185, RPA00007240393 and RPA00007240441. The appeals concern the 2019 tax year.

These matters came on for hearing October 24, 2019 in Idaho Falls, Idaho before Hearing Officer Travis VanLith. Manager Dane Watkins appeared at hearing for Appellant. County 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 values of four (4) adjacent commercial properties.

The decisions of the Bonneville County Board of Equalization are affirmed.

FINDINGS OF FACT

Appeal No. 19-A-1220 (Parcel No. RPA00007240200)

The assessed land value is \$296,210, and the improvements' value is \$1,772,311, totaling \$2,068,521. Appellant contends the land value is \$177,726, and the improvement's value is \$1,216,639, totaling \$1,394,365.

This 1.36 acre parcel is improved with a 29,067 square foot multi-use commercial

building. Current tenants include a restaurant, beauty salons, and general business offices.

Appeal No. 19-A-1221 (Parcel No. RPA00007240185)

The assessed value of this .08 acre, land-only parcel is \$17,424. Appellant contends the correct value is \$10,454.

Appeal No. 19-A-1222 (Parcel No. RPA00007240393)

The assessed land value is \$143,750, and the improvements' value is \$446,605, totaling \$590,355. Appellant contends the land value is \$86,250, and the improvements' value is \$362,738, totaling \$448,988.

This .66 acre parcel is improved with a 12,006 square foot commercial building. The current tenants mostly include general business offices, a chiropractic office and beauty salons.

Appeal No. 19-A-1223 (Appeal No. RPA00007240441)

The assessed land value of this .86 acre parcel is \$187,308, and the improvements value is \$461,669, totaling \$648,977. Appellant contends the land value is \$112,383, and the improvements' value is \$388,224, totaling \$500,607.

This parcel is improved with a 9,621 square foot multi-use commercial building with a 576 square foot mezzanine level. Current tenants include a restaurant, a retail shop and an office.

The four (4) subject properties, located along the Snake River near downtown Idaho Falls, Idaho, operate as a business/retail park which houses various business types, including the referenced restaurants, offices and retail operations. The development fronts Lindsay Boulevard, though it can be accessed on the southern side via W. Broadway Street, which is

the primary commercial boulevard in Idaho Falls. It was explained the development was originally a tractor dealership roughly 75 years ago. Around 1990, the buildings were re-purposed for various commercial uses. Some of this work included updating the plumbing and electrical systems, and installing Georgetown bricks on the exterior walls. The brickwork was an effort to preserve the historic look of the downtown neighborhood.

Appellant outlined several concerns regarding subjects' current assessments. For instance, it was reported work was needed to repair portions of at least two (2) roofs. In one (1) of those instances, it was estimated repair work could cost as much as \$50,000, though no formal bids had been obtained. Appellant also expressed concern with the fact there are vacant suites in the development, and questioned whether subjects' assessments reflect the vacancies.

Though Appellant was somewhat concerned with the valuation of the improvements, the primary issue centered on subjects' assessed land values. It was contended the current \$5 per square foot assessment rate was too high and should be reduced back to the \$3 per square foot rate, as assessed in prior years. Appellant pointed to the assessed value of the Shilo Inn property located down the road from subject assessed at \$3 per square foot for further support of the lower valuation rate.

Respondent argued the Shilo Inn property is not comparable because it was located farther from downtown and not on West Broadway Street. To illustrate this, a land value map was provided which showed decreasing value rates the farther away from West Broadway Street a particular property was located. Respondent explained the decreasing values were supported by the sale activity over the past several years.

Respondent valued each subject separately. The vacant parcel was assessed using the sales comparison approach. In this regard, information related to three (3) vacant land sales was offered. The sale prices varied widely, ranging from \$4.45 to \$53.57 per square foot. Respondent concluded a value rate of \$5 per square foot and this base rate was applied to all four (4) subject parcels. Respondent maintained the \$5 per square foot rate was reasonable and consistent with other assessed land values in the immediate area.

For each improved parcel, Respondent developed a value opinion using all three (3) approaches to value. It was explained the county appraiser who previously assessed the subject properties was no longer with the assessor's office, so a new appraiser had developed the fresh value opinions. In each instance, the new appraisal exceeded the current 2019 assessed value. In an effort to recognize subjects' buildings are older, and do suffer from some deferred maintenance issues, Respondent reduced the effective age of the buildings to 1980. This resulted in higher depreciation rates in the cost approach. Without evidence of more severe condition issues, Respondent was confident the depreciation rates used were appropriate and reasonable.

In the sales comparison approaches, Respondent identified each current tenant and noted each individual use. Sales were then selected based on the type of commercial use. A long list of sales was provided, broken into different commercial uses, including general retail, downtown office, general office, restaurant and downtown retail. To develop a value opinion for subject's restaurant spaces, Respondent analyzed the restaurant sales on the list. The same selection criteria was used for subject's general office and general retail suites. The various value indications were summed to form the respective value conclusions under the

sales comparison approach.

Similar to its sales comparison approach, Respondent's income approach used different inputs depending on the specific commercial uses of each subject building. For the two (2) buildings with restaurant suites, an annual lease rate of \$10 per square foot was used, and the annual lease rate for the other building with no restaurant space was \$8 per square foot. Vacancy rates varied, though the same 20% expense rate was used in each income model. The input data was obtained from annual surveys of local commercial property owners. Likewise, each model used a 10% capitalization rate, which rate Respondent argued was appropriate for older buildings.

In its final reconciliation, Respondent weighted the three (3) value indications for each improved subject with 60% weighting afforded the income approach and 20% each for the sales comparison and cost approaches. The income approach was given more weight because subjects are income-producing properties which typically sell based on their income potential. The below table outlines Respondent's appraisals for each subject.

| <u>Parcel No. (last 3 digits)</u> | <u>Income Approach</u> | <u>Cost Approach</u> | <u>Sales Comparison Approach</u> | <u>Reconciled Value</u> | <u>Assessed Value</u> |
|---------------------------------------|----------------------------|--------------------------|--------------------------------------|-----------------------------|---------------------------|
| 441 | \$ 715,802 | \$ 659,309 | \$ 743,209 | \$ 709,985 | \$ 648,977 |
| 185 | N/A | N/A | \$ 17,424 | \$ 17,424 | \$ 17,424 |
| 393 | \$ 714,597 | \$ 652,248 | \$ 723,280 | \$ 703,864 | \$ 590,355 |
| 200 | \$2,162,585 | \$2,242,850 | \$1,975,701 | \$2,141,261 | \$2,068,521 |

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 in fee simple interest, 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, 2019 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) primary methods for determining market value. *Merris v. Ada Cnty.*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979).

Appellant was concerned with the increases in assessed value over the prior year's assessment figures and questioned whether current market trends supported subjects' 2019 values. Appellant described a couple deferred maintenance items, mostly related to some roof repairs were needed on two (2) of the buildings. As for subjects' land values, Appellant advocated a valuation rate of \$3 per square foot, which represented the rate used for 2018. Appellant also pointed to a hotel property located down the road where the land was currently assessed at \$3 per square foot.

While the Board appreciates the concerns referenced by Appellant, we found little to no value evidence was offered to support the petitioned values. As for the deferred maintenance issues, Appellant only made broad reference to a couple roofing items, but provided no indication of the severity of the issues or what it would likely cost to remedy the situation.

In similar fashion, Appellant did not offer support for a land value rate of \$3 per square foot, other than to reference the assessed land value of a hotel property located some distance away. First, a comparison of assessed values is not a recognized appraisal approach and is not regarded as good evidence of market value. Second, the referenced hotel property is located notably farther from downtown and from the main commercial thoroughfare than the subject development. As evidenced by the land value map provided by Respondent, land values decrease as location from downtown and W. Broadway Street increases. We find no error in subjects' sites being valued at a higher rate due to their superior location compared to the Shilo Inn property.

Respondent's value evidence was generally well received by the Board. Value opinions using all three (3) valuation approaches were developed and ultimately reconciled to form value conclusions for each subject. Appellant contended the rents used in Respondent's income approach modeling were higher than subjects' actual rents, however, nothing was offered to substantiate the claim. Respondent explained the lease rates and other inputs used came directly from surveys of local commercial property owners. Another strength of Respondent's modeling was the consideration given for the different types of commercial uses to which the subject buildings are put. Different lease rates were used for different uses, and in the sales comparison approach, sales were selected based on the particular commercial use. In short, the Board did not find any notable error in Respondent's methodology, nor the resulting value conclusions.

Pursuant to Idaho Code § 63-511, the burden is Appellant's to establish subjects' market value assessments are erroneous by a preponderance of the evidence. Based on the

record developed in this matter, the Board did not find the burden of proof satisfied. Appellant expressed some general concerns, but did not offer market-based support in favor of reducing subjects' assessed values. Respondent, by contrast, provided detailed valuation analyses for each subject property using sales and other market-derived data. Consideration was given to subjects' specific commercial uses, as well as the older ages of the buildings. It is also worth noting subjects' current assessed values are less than the values concluded by Respondent's proffered valuation models. In all, the Board was strained to find support for any value reductions.

The value decisions of the Bonneville County Board of Equalization are affirmed.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the value decisions of the Bonneville County Board of Equalization concerning the subject parcels be, and the same hereby are, AFFIRMED.

DATED this 5th day of February, 2020.

IDAHO BOARD OF TAX APPEALS