

**PROPERTY ASSESSMENT APPEAL BOARD
FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER**

PAAB Docket No. 2021-007-00131R

Parcel No. 8913-32-351-001

Michael Chapman,

Appellant,

vs.

Black Hawk County Board of Review,

Appellee.

Introduction

This appeal came on for hearing before the Property Assessment Appeal Board (PAAB) on September 30, 2021. Michael Chapman was self-represented. Assistant Black Hawk County Attorney Michael Treinen represented the Board of Review.

Michael Chapman owns a residential property located at 2761 Deere Road, Waterloo, Iowa. The property's January 1, 2021, assessment was set at \$147,140, allocated as \$35,000 in land value and \$112,140 in dwelling value. (Ex. A).

Chapman petitioned the Board of Review claiming the assessed value of the property is for more than the value authorized by law. Iowa Code § 441.37(1)(a)(1)(b) (2021). The Board of Review denied the petition. (Ex. B).

Chapman then appealed to PAAB.

Findings of Fact

The subject is a one-story with a finished attic built in 1950. It has 1674 square feet of gross living area, a full unfinished basement, two concrete patios, an open porch, and a 576-square-foot detached garage. It is listed in normal condition with average-quality construction (grade 4+05). The site is 3.00 acres.

Chapman purchased the property in September 2020 for \$115,000. (Ex. A). The Assessor's Office coded the transfer as an arm's-length contract sale (C0).¹ Chapman asserts the contract sale price reflected the property's market value. At the time of the sale the subject was assessed for \$142,960. (Ex. A). In 2021, the assessed value for the land did not change, but the assessed dwelling value was increased causing the total assessed value to increase to \$147,140. (Ex. A).

Chapman explained he and his wife Bonnie Nelsen own and manage a general contracting and handyman company called Pretty Properties, LLC. William Dedic, the prior owner of the property asked Pretty Properties, LLC. for a quote to rehab the property. Dedic wanted to renovate the property prior to offering it for sale. Chapman reported the property was in need of many repairs after a long-term tenant had vacated. He explained the quote from Pretty Properties, LLC was a laundry list of work from which Dedic could pick and choose. (Ex. 9). The quote shows a total price for all work listed of \$160,810. Chapman testified that had Dedic decided to do all of the work at once, the total cost would have been reduced to the \$100,000 to \$130,000 range.

After providing Dedic the quote, Chapman inquired about purchasing the property. Dedic offered to sell the property to the Chapmans for \$115,000 in "as is" condition after replacing the septic system. The Chapmans accepted the offer and purchased the property in September. (Ex. 4). The contract required no down payment, had a 2% annual interest rate, and monthly payments of \$300. There is no term shown on the contract and no balloon payment, but Chapman explained they have a "gentleman's agreement" to pay off the contract once the Chapmans' old residence located in Tama County is sold. (Ex. 1). Chapman testified the property was not listed for sale on the open market and no appraisal was completed for the sale. Chapman reported since the 2020 purchase, new vinyl plank flooring has been installed in about 90% of the home, some repair has been made to the vinyl siding, some electrical has been updated, the interior has been cleaned, and the trim was removed but not yet

¹ Iowa Department of Revenue Sales Condition Codes, <https://tax.iowa.gov/sites/default/files/2021-01/NUTCSalesConditionCodes-v5.pdf>.

replaced. He indicated the old garage has also been torn down, but this was subsequent to the 2021 assessment date.

Chapman submitted several properties for consideration but hesitated to call them comparable to the subject due to their location and other issues. (Exs. 5-8). We note it does not appear that any of the properties recently sold and they have various points of difference between them and the subject property.

The Board of Review submitted a letter from T.J. Koenigsfeld, the Black Hawk County Assessor, describing the subject property's 2020 transaction as a contract sale. Koenigsfeld further explained that since the sale, the subject has been cleaned up and has a new septic system. The property has updated vinyl siding, a metal roof, and appears to have some newer windows. Chapman verified the vinyl siding is newer, but asserts it has been incorrectly installed. Chapman explained the siding has been repaired several times, but is still in need of further repairs. He disagrees with the description of newer windows and explained they are approximately 15 years old. Chapman testified the purchase price included the seller paying for a new septic system. He also explained his belief the subject's agricultural zoning and septic system are market detriments, but gave no support for these assertions.

Analysis & Conclusions of Law

PAAB has jurisdiction of this matter under Iowa Code sections 421.1A and 441.37A. PAAB is an agency and the provisions of the Administrative Procedure Act apply. § 17A.2(1). This appeal is a contested case. § 441.37A(1)(b). PAAB may consider any grounds under Iowa Code section 441.37(1)(a) properly raised by the appellant following the provisions of section 441.37A(1)(b) and Iowa Admin. Code Rule 701–126.2(2-4). New or additional evidence may be introduced. *Id.* PAAB considers the record as a whole and all of the evidence regardless of who introduced it. *Id.*; see also *Hy-Vee, Inc. v. Employment Appeal Bd.*, 710 N.W.2d 1, 3 (Iowa 2005). There is no presumption that the assessed value is correct, but the taxpayer has the burden of proof. §§ 441.21(3); 441.37A(3)(a). The burden may be shifted; but even if it is not, the

taxpayer may still prevail based on a preponderance of the evidence. *Id.*; *Compiano v. Bd. of Review of Polk Cnty.*, 771 N.W.2d 392, 396 (Iowa 2009) (citation omitted).

Chapman contends the subject property is over assessed. § 441.37(1)(a)(1)(b).

In an appeal alleging the property is assessed for more than the value authorized by law under Iowa Code section 441.37(1)(a)(1)(b), the taxpayer must show: 1) the assessment is excessive and 2) the subject property's correct value. *Soifer v. Floyd Cnty. Bd. of Review*, 759 N.W.2d 775, 780 (Iowa 2009) (citation omitted). Sale prices of the subject property or comparable properties in normal transactions are to be considered in arriving at market value. § 441.21(1)(b).

In Iowa, property is to be valued at its actual value. Iowa Code § 441.21(1)(b). Market value essentially is defined as the value established in an arm's length sale of the property. *Id.* The sales comparison method is the preferred method for valuing property under Iowa law. *Compiano*, 771 N.W.2d at 398; *Soifer*, 759 N.W.2d at 779; *Heritage Cablevision v. Bd. of Review of Mason City*, 457 N.W.2d 594,597 (Iowa 1990). "Sale prices of the property or comparable properties in normal transactions reflecting market value, and the probable availability or unavailability of persons interested in purchasing the property, shall be taken into consideration in arriving at its market value." § 441.21(1)(b). Sale prices of property in abnormal transactions not reflecting market value shall not be taken into account, or shall be adjusted to eliminate the effect of factors which distort market value, including but not limited to sales to immediate family of the seller, foreclosure or other forced sales, *contract sales*, discounted purchase transactions or purchase of adjoining land. *Id.* (emphasis added).

While the sale price of the subject is a matter to be considered, it does not conclusively establish market value. *Riley v. Iowa City Bd. of Review*, 549 N.W.2d 289, 290 (Iowa 1996); *McHose v. Property Assessment Appeal Bd.*, 2015 WL 4488252 (Iowa Ct. App. July 22, 2015). As indicated by section 441.21(1)(b), contract sales are considered abnormal transactions; they often require adjustments to reflect true market value. However, these sales may be adjusted upward, downward, or require no adjustment at all based upon the facts of the sale. *Foreman & Clark of Iowa, Inc. v. Bd. of Review of City of Cedar Rapids*, 286 N.W.2d 169,172-73 (Iowa 1979).

In *Foreman*, taxpayers challenged the assessment of their property based on the purchase of the subject commercial building via contract sale. *Foreman*, 286 N.W.2d 169. The district court modified the assessment to \$150,000, the contract sales price. *Id.* at 170-71. The district court noted factors for consideration when adjusting a contract sale that include “the amount of the down payment, the interest rate, the credit and stability of the purchasers, the maturity date, [and] the collateral or the property itself. *Id.* at 172. The Iowa Supreme Court found no basis to disturb the valuation set by the district court and affirmed the district court’s ruling. *Id.* Moreover, in *Payton Apartments Ltd. v. Bd. of Review of City of Des Moines*, the Iowa Court of Appeals noted within the facts of that case that a contract sales price “reflect[ed] the market value of the property plus an additional sum the buyer pays for financing.” 358 N.W.2d 325, 328-329 (Iowa Ct. App. 1984).

The subject property sold in 2020. Chapman asserts the property’s assessed value should be set at the sale price. However, as a contract sale, it should be considered abnormal and carefully examined. Further, it limits the reliability of the sale price alone as a persuasive indicator of the subject’s market value.

The Board of Review noted the property was not exposed or listed on the market and the terms and conditions of the contract are not at market rates. Additionally, Chapman reported since the 2020 purchase, new vinyl plank flooring has been installed in about 90% of the home, some repair has been made to the vinyl siding, some electrical has been updated, the interior has been cleaned, and the trim was removed but not yet replaced. We would reasonably expect these changes to have an impact on the subject’s market value, and Chapman has not adjusted the subject’s sale price for these changes.

Though Chapman’s testimony was sincere, the bulk of the evidence in the record is self-interested and not corroborated, *i.e.* his testimony regarding the condition of the property at the time of purchase as well as the necessary repairs and costs to cure that he provided to the previous owner. This, coupled with the facts that the property was never exposed to the market and the contract payments do not appear to be at market

rates, leads us to conclude the unadjusted contract sales price of the subject property to be an unreliable indicator of the subject property's current market value.

Finally, we note Chapman has not submitted an appraisal, a realtor's market analysis, or any recent comparable sales adjusted for differences to support the subject's market value as of January 1, 2021.

For the foregoing reasons, Chapman has failed to show the subject property is assessed for more than the value authorized by law.

Order

PAAB HEREBY AFFIRMS the Black Hawk County Board of Review's action.

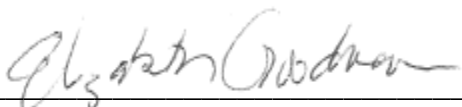
This Order shall be considered final agency action for the purposes of Iowa Code Chapter 17A.

Any application for reconsideration or rehearing shall be filed with PAAB within 20 days of the date of this Order and comply with the requirements of PAAB administrative rules. Such application will stay the period for filing a judicial review action.

Any judicial action challenging this Order shall be filed in the district court where the property is located within 30 days of the date of this Order and comply with the requirements of Iowa Code section 441.37B and Chapter 17A.19 (2021).



Dennis Loll, Board Member



Elizabeth Goodman, Board Member



Karen Oberman, Board Member

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Michael Chapman by eFile

Black Hawk County Board of Review by eFile