

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

PAAB Docket No. 2021-057-00116R

Parcel No. 112532700800000

Adam Stradt,

Appellant,

vs.

Linn County Board of Review,

Appellee.

Introduction

The appeal came on for hearing before the Property Assessment Appeal Board (PAAB) on December 10, 2021. Adam Stradt was self-represented. Deputy Assessor Tami McFarland represented the Board of Review.

Adam Stradt owns a residential property located at 1045 Kettering Road, Marion, Iowa. Its January 1, 2021, assessment was set at \$391,000, allocated as \$74,800 in land value and \$316,200 in dwelling value. (Ex. A).

Stradt petitioned the Board of Review claiming that the property's assessment was not equitable as compared with the assessments of other like property in the taxing district and that there was an error in the assessment. Iowa Code § 441.37(1)(a)(1)(a & d) (2021). The Board denied the petition.

Stradt then appealed to PAAB.

General Principles of Assessment 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 R. 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.

§ 441.37A(3)(a); *see also Hy-Vee, Inc. v. Employment Appeal Bd.*, 710 N.W.2d 1, 3 (Iowa 2005). There is no presumption 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).

Findings of Fact

The subject property is a one-story home built in 2018. It has 1769 square feet of gross living area, a full basement with 1090 square feet of living-quarter quality finish, two open porches, two patios, and a 1490-square-foot attached garage. There is only one bedroom on the main level. The dwelling is listed in normal condition with a 2+00 grade (high quality). The site is 0.364 acres. (Ex. A).

Stradt submitted six properties, summarized in the following table, that he believes support his claims. (Exs. 1-6; & G-M).

Address	Assessed Value	Sale Price	Sale Date	Gross Living Area (SF)	Basement Finish (SF/Quality)	Garage (SF)	Grade	Assessed Value/SF	Sale Price/SF
Subject	\$391,000			1769	1090 LQ	1490	2+00	\$221.03	
1 - 1057 Kettering Rd	\$282,800	\$302,500	Jun-20	1780	No Finish	593	3+05	\$158.88	\$169.94
2 - 1069 Kettering Rd	\$323,000	\$398,000	May-19	1731	1020 LQ	924	2-10	\$186.60	\$229.92
3 - 1071 Kettering Rd	\$332,400	\$405,324	Sep-19	1757	1015 LQ	901	2-10	\$189.19	\$230.69
4 - 1083 Kettering Rd	\$330,000	\$391,000	Jul-20	1697	1170 LQ	789	3+10	\$194.46	\$230.41
5 - 1105 Kettering Rd	\$375,300	\$360,000	Oct-18	1940	1230 LQ	888	2+05	\$193.45	\$185.57
6 - 3503 Fitzroy Rd	\$406,900	\$310,000	May-20	2008	1320 LQ	840	3+10	\$202.64	\$154.38

All of Stradt's comparable properties are one-story homes built between 2015 to 2020. Stradt did not adjust the comparable sale prices compared to his home to arrive at an opinion of market value for his property, which is a required component of an equity claim. Sales 1, 4, and 6 are the only 2020 sales offered that could be considered in an assessed-value-to-sales-price ratio for an equity claim. Stradt asserts Sale 6 is

“almost identical” to his home but “with a few nicer finishes in areas.” (Appeal). However, Sale 6 was a bank-owned property, sold as-is and would not be considered a normal arm’s-length sale under Iowa Code section 441.21(1).¹ (Exs. 6, G & H). We do not give Sale 6 any further consideration. Sale 1’s assessed-value-to-sales-price ratio is 0.93. Sale 4 has a ratio of 0.84. A ratio less than 1.00 suggests a property is assessed for less than its market value

Stradt built his home, as well as Sale 1. (Appeal). Sale 1 has a lower grade of 3+05 compared to the subject’s 2+00 grade; and, although they are of similar size, Sale 1 lacks a finished basement.² (Exs. G & I). This amenity alone adds \$38,593³ in depreciated cost to the subject’s assessed value. (Ex. A, p. 3). Additionally, the subject’s garage is nearly three times larger than Sale 1’s garage. The depreciated cost difference in the assessments between the two garages is roughly \$30,700.⁴

Stradt gives most consideration to Sales 2, 3, and 4, which are located on his street, built in the same time frame, and in his opinion have more features and nicer interior finishes than his home. (Appeal). We note these three sales, while generally similar in size are a bit smaller than his; Sales 2 and 3 have less basement finish; and, all three have smaller garages. He does not provide any evidence that these homes have superior finishes compared to his property.

Stradt also notes Sale 5 is located on his street and is a larger home with more basement finish yet has a lower assessment. (Appeal). This home does appear to be the most comparable of Stradt’s sales. However, its garage is 600 square feet smaller, which would account for much of the difference in its assessment compared to his home. (Exs. A & M).

¹ Iowa Dep’t. of Revenue, Sales Condition Codes <https://tax.iowa.gov/sites/default/files/2021-01/NUTCSalesConditionCodes-v5.pdf> (describing a NUTC code of 12).

² Stradt’s appeal form states Sale 1 has a partial finished lower level, which suggests that property may have basement finish not recognized in the assessment.

³ \$23,435 replacement cost new (RCN) for 1090 square feet of living-quarter quality basement finish * 1.79 grade multiplier * 0.92 depreciation = \$38,593. (Ex. A)

⁴ Subject garage RCN \$30,918 * 1.79 grade multiplier * 0.92 depreciation = \$50,916. Comparable 1 garage RCN \$14,280 * 1.54 grade multiplier * 0.92 depreciation = \$20,232. (Exs. A & I).

Stradt asserts having only one bedroom on the main level will appeal to only a select group of buyers and will therefore affect its value. (Appeal). Ultimately, he believes the correct value of the subject property is \$335,000 as of January 1, 2021.

The subject's garage is larger than all of the comparable properties,⁵ and all but Sale 5 have lower grades than the subject. The Board of Review also reports the subject has more plumbing and a larger porch compared to Stradt's comparable properties. (Ex. F). However, despite differences in features like the garage or basement finish, we note the variance between the subject and Stradt's comparable properties that affects its valuation is the grade factor.

The Board of Review submitted five comparable sales, which are summarized in the following table. (Exs. F & N-R).

Address	Assessed Value	Sale Price	Sale Date	Gross Living Area (SF)	Basement Finish (SF/Quality)	Garage (SF)	Grade	Assessed Value/SF	Sale Price/SF
Subject	\$391,000			1769	1090 LQ	1490	2+00	\$221.03	
A - 3310 Newcastle Rd	\$372,500	\$399,500	Nov-20	1837	1380 LQ	829	2+00	\$202.78	\$217.47
B - 3375 Newcastle Rd	\$340,900	\$340,000	May-20	1710	1210 LQ	981	2-05	\$199.36	\$198.83
C - 3403 Carriage Ct	\$326,400	\$389,500	Nov-20	2006	120 LQ	858	2-05	\$162.71	\$194.17
D - 1179 Kettering Rd	\$382,800	\$374,500	Mar-20	2127	1595 LQ	797	2+00	\$179.97	\$176.07
E - 3436 Barnsley Cr	\$417,000	\$450,000	Mar-20	2159	1200 LQ	806	2+10	\$193.14	\$208.43

All of the properties are one-story homes built between 2008 and 2017, are of similar overall grade compared to the subject property, and all sold in 2020. None of the sales were adjusted for differences between them and the subject property. The assessed-value-to-sale-price ratio of these properties range from 0.84 to 1.02, with a median/mode of 0.93 and a mean of 0.94.

⁵ It is possible the subject's garage is an over improvement that may warrant application of obsolescence. Based on the plain statement in his appeal, Stradt seemingly believes that to be the case. Given the lack of paired-sales demonstrating a market impact of a larger garage, we cannot conclude an adjustment is necessary based on this record. We recommend, however, the parties evaluate sales to consider whether such an adjustment would be necessary for future assessment cycles.

Sale C sets the low end of the sale price range but it lacks any meaningful basement finish compared to the subject property. Sale E, which sets the upper end of the sale price range, has the highest grade of the comparables in the record.

The Board of Review reports the Assessor's Office was unable to inspect the interior of the home in 2019 but noted unique exterior features such as chain downspouts, a larger garage, and a metal roof accent. These exterior features and the inability of the Assessor to inspect the interior resulted in it being estimated as a custom home at that time and assigned a 2+00 (high quality) grade. (Ex. F). Stradt contacted the Assessor's Office during the 2019 informal review period and was reportedly told changes could be made if agreed to prior to the informal review period deadline. Stradt did not reply until after the deadlines had passed. For his 2021 Board of Review appeal, Stradt did not make accommodations for an interior inspection by the Assessor's Office. (Ex. F). However, the subject was inspected by the Assessor's Office on August 17, 2021, after Stradt appealed to PAAB. Based on the inspection, the Assessor's Office offered to lower the grade to 2-10 and identified corrections to plumbing and porch/patio areas, which would result in a new assessed value of \$372,900. (Exs. A-2, G). Stradt declined. (Ex. D, G).

Analysis & Conclusions of Law

In Iowa, property is to be valued at its actual value. § 441.21(1)(a). Actual value is the property's fair and reasonable market value. § 441.21(1)(b). Market value essentially is defined as the value established in an arm's-length sale of the property. *Id.* "Sale prices of the property or comparable property 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." *Id.* "In arriving at market value, 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 or other land to be operated as a unit.” *Id.*

Stradt contends the subject property is inequitably assessed and that there is an error in the assessment as provided under Iowa Code section 441.37(1)(a)(1)(a & d). He bears the burden of proof. § 441.21(3).

Under section 441.37(1)(a)(1)(a), a taxpayer may claim that their “assessment is not equitable as compared with assessments of other like property in the taxing district.” By itself, simply comparing assessed values is not a recognized method for demonstrating inequity.

To prove inequity, a taxpayer may show an assessor did not apply an assessing method uniformly to similarly situated or comparable properties. *Eagle Food Centers v. Bd. of Review of the City of Davenport*, 497 N.W.2d 860, 865 (Iowa 1993). Stradt has not identified a non-uniform assessing method and therefore we find he has failed to show inequity under *Eagle Food Centers*.

Alternatively, a taxpayer may show the property is assessed higher proportionately than other like properties using criteria set forth in *Maxwell v. Shivers*, 133 N.W.2d 709, 711 (Iowa 1965). The *Maxwell* test provides inequity exists when, after considering the actual (2020) and assessed (2021) values of similar properties, the subject property is assessed at a higher proportion of its actual value. *Id.* This is commonly done through an assessment/sales ratio analysis comparing prior year sales (2020) and current year assessments (2021) of the subject property and comparable properties.

The record includes seven normal 2020 sales, two offered by Stradt and five by the Board of Review. The collective ratios indicates that similar properties are assessed, on average, for less than their market values.

We consider those same sales in determining whether Stradt has shown the actual fair market value of his property. Except for garage size, the sales offer similarities to the subject but are nonetheless unadjusted. *Soifer v. Floyd Cnty. Bd. of Review*, 759 N.W.2d 775, 783 (Iowa 2009) (discussing importance of adjustments to sales). Considering the sales, we find Stradt’s belief that the subject’s correct value is

\$335,000 to be unreasonable. But for Sale 1, every normal sale in the record sold for more than \$335,000; many of them sold for substantially more than \$335,000. Although Sale 1 sold for less than \$335,000, it has no identified basement finish and a substantially smaller garage. Without adjustment, we do not find that sale price reflective of the subject's fair market value. Sale B sold for \$340,000 and is similar in size and basement finish, but has a significantly smaller garage than the subject. For these reasons, we find Stradt has not demonstrated the subject's actual fair market value, the *Maxwell* analysis cannot be completed, and the equity claim fails.

Under Iowa Code section 441.37(1)(a)(1)(d), an aggrieved taxpayer or property owner may appeal their assessment on the basis "[t]hat there is an error in the assessment." An error may include, but is not limited to, listing errors or erroneous mathematical calculations." Iowa Admin. Code R. 701-71.20(4)(b)(4).

Although Stradt did not submit evidence of a listing or mathematical error, the Board of Review believes the grade should be adjusted and offered a grade correction to 2-10. That, along with corrections to plumbing and porch/patio area, would lower the total assessed value to \$372,900.⁶ While Stradt has previously rejected an offer to make these changes, we believe they should be made now to ensure the accuracy of the present and future assessments.

Order

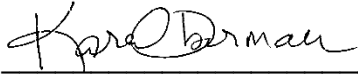
PAAB HEREBY MODIFIES the assessment and ORDERS the subject's January 1, 2021 assessment shall be set at \$372,900.

This Order shall be considered final agency action for the purposes of Iowa Code Chapter 17A (2021).

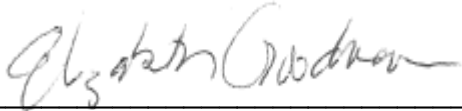
Any application for reconsideration or rehearing shall be filed with PAAB within 20 days of the date of this Order and comply with the requirements of PAAB administrative rules. Such application will stay the period for filing a judicial review action.

⁶ We note this places the subject's 2021 assessment near the average and median of the Board of Review comparables' assessments.

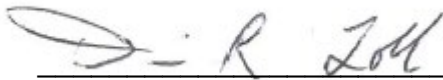
Any judicial action challenging this Order shall be filed in the district court where the property is located within 30 days of the date of this Order and comply with the requirements of Iowa Code section 441.37B and Chapter 17A.



Karen Oberman, Board Member



Elizabeth Goodman, Board Member



Dennis Loll, Board Member

Copies to:

Adam Stradt by eFile

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