

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

PAAB Docket No. 2021-023-00148C

Parcel No. 8069070002

**Clinton Medical Group, LLC.,**

Appellant,

vs.

**Clinton County Board of Review,**

Appellee.

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**Introduction**

This appeal came on for hearing before the Property Assessment Appeal Board (PAAB) on April 20, 2022. Real Estate Broker Matt Brisch represented Clinton Medical Group, LLC. Attorney Patrick O'Connell represented the Board of Review.

Clinton Medical Group, LLC. (Clinton Medical) owns a property located at 931 13th Avenue North, Clinton. Its January 1, 2021 assessment was set at \$1,364,480, allocated as \$299,500 in land value and \$1,064,980 in improvement value. (Ex. A).

Clinton Medical petitioned the Board of Review contending the assessment was for more than the value authorized by law. Iowa Code § 441.37(1)(a)(1)(b) (2021). (Ex. C). The Board of Review denied the petition. (Ex. B).

Clinton Medical then appealed to PAAB reasserting its over assessment claim. § 441.37(1)(a)(1)(b) (2021).

**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 consists of a 10,425 square-foot one-story brick veneer medical office building. The original building containing 3,790 square feet was constructed in 1988. The original portion of the building is listed in normal condition with a 3+05 Grade (good quality). It has 34% physical depreciation applied to the assessment. Two additions were constructed in 1999 containing 6,635 square feet of gross building area with 1,550 square feet of basement area and 240 square feet of average basement finish. The additions are listed in normal condition with a 3+10 Grade (good quality), and receive 23% physical depreciation applied to the assessment. Other improvements on the property include two canopies, two patios, a 240 square-foot garage, and 60,000 square-feet of paving. (Exs. A).

The improvements occupy the northern portion of the 4.98-acre site and have been used for multi-tenant purposes. The majority of the parcel is unused and not needed to support the improvements, and the appraisers considered it surplus land or excess land.

Jay Patel, one of the owners of Clinton Medical, testified on its behalf. Patel lives in Atlanta and became aware of the listing of the subject property. He testified the subject was listed for sale for several months on LoopNet, a national commercial database and listing service. (Ex. 4). The property was listed for \$995,000 by Matthew

Brisch and Stephen Howes. (Ex. 2). Patel took a couple of months to complete his due diligence on the property and purchased it in December 2020, immediately prior to the assessment date.<sup>1</sup> During the due diligence period, he explained anyone could have purchased the property. Patel also stated he communicated with one of the tenants who indicated they would not be renewing their lease. He testified the property had condition issues, including rotten siding, leaks in the roof, and the parking lot is beyond its useful life. He noted the non-renewal of the lease and the condition issues were reflected in his offer.

The sale price was \$400,000 before a \$40,000 repair credit from the seller. (Ex. 5). Patel asserts the sale price reflects the subject property's market value. Evidence and testimony shows the \$734,000 purchase price listed on the property record cards includes an additional property. (Ex. D; Ex. 3, p. 6).

The sale was between non-related parties. Patel believes the sellers had normal motives in the sale because he was unaware of any undo duress, but admitted he does not know for sure. One of the listing agents, Howes, is a partial owner of the property. Patel testified Howes manages the property because he is local.

Brisch also testified on behalf of Clinton Medical. He asserted the sale was arm's-length and the sale price represented the subject property's market value. He explained the subject was one of five properties that were listed and sold by the seller. He described two properties located in Illinois, in the towns of Fulton and Morrison, that he believes were comparable to the subject. He believed these two sales should have been used by any appraiser valuing the property.

Clinton Medical commissioned an appraisal that was completed by Don Jacobs, Jacobs Appraisal Services, Clinton, Iowa. (Ex. 3). The appraisal was completed for Clinton Medical's tax appeal. Jacobs inspected the subject property on March 15, 2022, and completed a retrospective appraisal report with an effective date of value of January 1, 2021. Jacobs noted the total site is more than adequate for the current use

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<sup>1</sup> We note the property was on the market for a little more than three months. (Ex. 2). This is considerably less than the reasonable exposure time estimated by the appraisers. Jacobs estimated an exposure time of 6-12 months. (Ex. 3, p. 4). Nelson estimated an exposure time of 12 months. (Ex. 4, p. 15). Along with other evidence, this causes us to question the reliability of the sale price.

and that it contains surplus land. He stated the surplus land would not have a separate highest and best use.

Jacobs reconciled a final opinion of value of \$575,000 after developing the sales comparison and income approaches to value. The Board of Review questioned the reliability of Jacobs' appraisal and asserted the adjustments made to his comparables were confusing and unsupported. Despite its belief the appraisal is not reliable, the Board of Review asserts Jacobs' appraisal supports its belief that the sale price was not at market value.

A summary of Jacobs eight comparables is made in the following table.

Property	Sale Price	Sale Date	Actual Age	Size (SF)	SP/SF	Adjusted SP/SF
Subject	NA	NA	60	11791	NA	
J1 – 1320 19th Ave NW, Clinton	\$2,100,000	7/2019	12	18360	\$114.38	\$97.18
J2 – 2400 Lillian Way, Clinton	\$800,000	11/2020	7	7701	\$103.88	\$91.38
J3 – 915 13th Ave N, Clinton	\$11,350,000	2/2020	56	112935	\$100.50	\$87.10
J4 – 2027 S 21st St, Clinton	\$270,000	1/2021	15	3463	\$77.97	\$65.07
J5 – 1021 11th St, DeWitt	\$334,000	12/2020	61	11791	\$28.33	\$36.28
J6 – 221 Main Ave, Clinton	\$153,000	5/2018	63/40/19	4365	\$35.05	\$44.70
J7 – 1705 16th Ave, Fulton, IL	\$300,000	12/2020	70	8138	\$36.86	\$41.11
J8 – 635 E Lincolnway, Morrison, IL	\$275,000	1/2021	35	7000	\$39.29	\$46.64

Little time was spent discussing Jacobs' appraisal at hearing and Jacobs did not testify. Compared to narrative appraisal reports PAAB typically sees in commercial property appeals, Jacobs' report does not include sales sheets for his sales and contains less detail about the sales transactions. Considering some of the issues discussed below regarding several of the sale transactions, this lack of detail and absence of testimony gives us concern about relying on his report.

But for Comparable J1, the remaining comparables appear to have been used for medical purposes prior to their sale. However, there is no indication that any of the sales are similar multi-tenant properties like the subject. The subject's site, including its surplus land, is substantially larger than most of the comparables and therefore Jacobs' made positive adjustments for site size. We note Comparables J2, J3, J7, and J8 were all apparently sold by the same seller – a local doctor's ownership group – from February 2020 to January 2021. The Board of Review asserts these sales were sold for

less than their market value. Similarly, Comparable J5 also was a multi-property sale along with the subject. Comparable J2 was the only comparable used in all three valuations included in the record. Notably, all of the adjusted values for Comparable J2 in the three valuations tend to indicate Jacobs' value opinion is too low. Comparable J3 is significantly larger than the subject and we do not believe it to be comparable. Jacobs believes Comparable J1, which sets the upper end of the range, is least similar in building design and is a much newer structure.

Comparables J4 and J6 are the only sales which did not involve multiple properties or the same parties, but Jacobs describes them as smaller medical buildings. Sale J4 is a newer and superior condition building that is located in an industrial area. He adjusted the sale upward for its inferior industrial location with less visibility and adjusts downward for quality. Jacobs describes Comparable J6 is an older building. It has a flat roof and very little fenestration. Jacobs adjusted Comparable J6 upward for condition but rated its quality as similar. Moreover, we note it is a 2018 sale and Jacobs made no time adjustment.

There is also a wide range in the adjusted value per square foot between \$36.28 and \$97.18, with a median of \$55.86 and a mean of \$63.68. He gave no specific rationale, but reconciled below the median and mean of his adjusted sales. Jacobs concludes a value of \$55 per square foot, or \$573,000, by the sales comparison approach.

Jacobs also completed an income approach, estimating a value for the subject of \$624,000. Jacobs' lists three comparable leases. One comparable is a 2010 lease of a strip mall. We question whether this property is comparable to the subject and its lease is reflective of the 2021 market. All comparables are reported to be triple net (NNN) leases and appear to be single tenant properties. Jacobs reports the subject's three current leases to be gross lease types despite relying on all NNN lease comparables. This was different than Nelson that reported Suite C as being a NNN lease. Regardless, his estimates of income and expenses are similar to the current amounts. Jacobs does adjust the subject's revenue by 10% for vacancy and collection loss to estimate its stabilized value, and therefore estimates a lower NOI than the reported current NOI.

Jacobs also included property taxes as an expense. We note it is not typical for an appraisal completed for ad valorem purposes to include property taxes as an expense; typically, property taxes are incorporated by loading the capitalization rate. Jacobs estimated the subject's net operating income to be \$59,298.

The mortgage equity technique, debt coverage ratio, a published survey, and historical extracted rates indicated a capitalization rate for the subject between 8.9% 10%. Jacobs selected a capitalization rate of 9.5%.

Jacobs gives greatest weight to the sales comparison approach, ultimately concluding a value of \$575,000.

Clinton County Assessor Brian Tiesman testified on behalf of the Board of Review. He asserted the subject property's recent sale was not reflective of its market value. He explained the \$734,000 sale price reported on the property record card is from the Declaration of Value. The evidence shows that sale price reflects the subject property and another property in DeWitt.

After the assessment was appealed, Tiesman inspected the property and reviewed its assessment records. As part of that process, he selected three sales for review and updated the subject's property record card. The updated property record card reflects a value of \$966,290; less than the 2021 assessed value. (Ex. D). Tiesman reported that most of the change resulted from lowering the condition to poor. We note the amended property record card applies functional and external obsolescence to the improvements and has a slightly lower land value.

A summary of the three sales Tiesman considered is in the following table. (Ex. E).

Property	Sale Price	Sale Date	Year Built	Size	SP/sf
Subject	\$299,000	12/2020	1988	10425	\$38.37
1 – 2400 Lillian Way, Clinton	\$800,000	11/2020	2013	6217	\$120.83
2 – 251 N 6th Ave, Eldridge	\$424,000	12/2020	1990	2841	\$96.52
3 – 340 5th Ave S, Clinton	\$610,000	12/2019	2001	7034	\$68.53

Tiesman commented on Comparable 1 (also Sale J2 and Sale N1). He noted it was a similar medical building. Tiesman selected Comparable 2 because it is another

medical office sale. Comparable 3 was not used as a medical office building and would require expenditures to retrofit to medical office use.

Tiesman did not adjust the sales for differences with the subject property, and he only reported the sale price per square-foot and the average sale price per square-foot for the three sales. Using the average sales price per square foot shows an estimated value for the subject of \$993,400 (rounded). He believed the three sales supported his amended assessed value for the subject. (Ex. E). Additionally, he explains this analysis was completed prior to, and independent of, Nelson's appraisal and asserts the two valuations support each other.

David Mark Nelson, an appraiser with Roy R. Fisher Company, Davenport, testified on behalf of the Board of Review and prepared an appraisal report. Nelson valued the property as of January 1, 2021, the assessment date in question. (Ex. F). He described the property as a multi-tenant medical office building that is on a large site with the improvements located on the extreme northern portion of the site. Whereas Jacobs identified the unused area of the site as surplus land, Nelson stated that because of the size of the site and the location of the improvements he believes the subject property has a substantial amount of excess land.<sup>2</sup> In doing so, Nelson determined the interim highest and best use of that land is "for parking to support adjacent properties" and the longer term highest and best use is residential. (Ex. F. p. 34).

Nelson described the subject as being mostly a general office building, but could also be used for limited medical use. He also stated it is ideally suited to two, not three, tenants. He believes the property was in average overall condition. Nelson believed the sale of the subject property was not a market value sale. He testified his research found

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<sup>2</sup> "Excess land is often confused with surplus land in appraisal assignments. It is too often lumped in with the value of the entire property or ignored altogether. While both surplus land and excess land are not needed to support the main site and improvements, surplus land cannot be sold as an independent highest and best use and excess land can be sold for its own highest and best use. Excess land may be sold off separately from the rest of the property so that the subject property in effect becomes two or more properties. Excess land must be addressed in the highest and best use analysis. In contrast, surplus land cannot be sold off separately and does not have an independent highest and best use." The Appraisal Institute, *The Appraisal of Real Estate* 174-75 (15th ed. 2020).

the sale of the five properties was the result of the owner's sale of his medical practice to Mercy One and the owner's desire to dispose of the associated real estate. His report states, "The number of variables involved in the transaction suggest the motivations of the sellers may not be ideally consistent with the market value definition." (Ex. F, p. 14). Moreover, he noted the subject sold with three leases in place and therefore he believed the sale itself may reflect a leased fee value; not fee simple value. He reports two of the leases were subleases and were subordinate to a master lease. The master lease was discontinued after the subject's 2020 sale. The third lease expires in June 2024 but the tenant has vacated the space. The tenant continues to abide by the terms of the lease. Nelson gave no consideration to these leases because of atypical lease arrangements and terms. (Ex. F, p. 53). He gave the subject sale no consideration.

Nelson also explained the two sales that Brisch asserted should be used for comparison from Fulton and Morrison, Illinois had the same sale problems as the subject property sale. He also believed they were not comparable to the subject – smaller with more intense medical use. He therefore did not believe the sale prices of these properties were at market value and did not use them for comparison to the subject property.

Nelson testified he sought recent sales of similar general office and medical properties. Although the property has been used for medical purposes, he believed it had more utility as a multi-tenant, general office. He searched specifically for multi-tenant properties between 3,000 and 20,000 square feet that had closed in the past three years. Because of limited comparable sales from Clinton, Nelson selected four comparables from a larger region and larger communities. (Ex. F, p. 43). The properties were built between 1970 and 1997. Nelson's comparables are summarized in the following table.



Property	Sale Price	Sale Date	Year Built	Size	SP/sf	Adjusted SP/sf
Subject	\$400,000	12/2020	1988/1999	10792	\$37.06	NA
N1 – 2102 East 38th St, Davenport	\$335,000	12/2020	1981	3936	\$85.11	\$83.89
N2 – 3625 Utica Ridge Rd, Bettendorf	\$1,000,000	4/2020	1980	10200	\$98.04	\$94.29
N3 – 3432 Jersey Ridge Rd, Davenport	\$585,000	3/2020	1981	6548	\$89.34	\$85.98
N4 – 951 13 <sup>th</sup> Ave N, Clinton	\$265,000	3/2018	1970/1997	2744	\$96.57	\$83.89
N5 – 2525 24th St, Rock Island	\$900,000	2/2018	1981	10400	\$86.54	\$89.94

Comparable N1 was not formally marketed and was sold with a 10-year NNN lease in place. Nelson stated he was the purchaser of Comparable N1. Comparable N2 was 100% occupied by five tenants and was not formally marketed. Comparable N3 was a two-story office building mostly occupied by a law office with the remaining space leased to a dental practice. Comparable N4 was the only fee simple sale and is fully owner occupied. Comparable N5 is located across the street from the UnityPoint Trinity Rock Island campus and appears to have secondary medical uses.

Four of the properties were cash sales. Comparable N1 was a sale-leaseback but no adjustment was made for this difference. Four of Nelson's comparables were leased fee sales, but again received no adjustments. Although Nelson made no adjustments for leased-fee or sales-leaseback transactions and stated no adjustments were necessary, his report contains no confirmation that those properties were leased at market rates. However, we note Nelson did report Comparable N2 had one lease expiring soon after the purchase that covered 18% of the property's area. Comparable N3 had two leases in place at the time of sale, but was going to be partially occupied by the purchaser after the sale. Nelson explained that because he was the purchaser of Comparable N1, he had very good income data on the property. Comparable N4 is a fee simple sale in Clinton with an unadjusted and adjusted sales price per square foot that is consistent with the other comparables; suggesting adjustments for sales conditions may not have been needed.

Nelson adjusted the sales for differences in market conditions, location, size, condition, year built, basement, and land-to-building ratio. Nelson believed all of the comparables were similar in quality. Comparable N1's sale occurred closest to the effective date of value but was a single-tenant building and therefore given less

consideration. Nelson also gave less consideration to Comparable N4 because it was a single-tenant building regardless of being closest in proximity to the subject. Most consideration was given to Comparables N2, N3, and N5 which were similar multi-tenant sales. These three comparables had a range of indicated value ranging from \$83.89 to \$94.29 per square-foot. Nelson reports an average indicated value for these sales of \$87.60 and median value of \$85.98. He reconciled to a final opinion of value for the subject property of \$88 per-square-foot. (Ex. F, p. 46). This indicates a value of \$950,000 for the subject by the sales comparison approach (excluding the excess land).

Brisch testified the appraisal submitted by the Board of Review relied on comparables located in the Quad Cities which he believes is a superior market. But for Comparable N4, we note Nelson made downward adjustments to the comparables because of their superior location.

Nelson also completed the income approach. Because of limited lease data from Clinton, Nelson selected two leases from Clinton, three leases from Muscatine, and two leases from Davenport. He estimated a market rent for the subject at \$10 per square foot, on a NNN basis. Nelson deducts for vacancy and collection loss, management fees, and reserves, ultimately concluding an effective net operating income of \$89,941. Like Jacobs, Nelson considered various techniques and data to conclude a capitalization rate for the subject of 9.5%. After loading the capitalization rate for the landlord's share of the property taxes, Nelson estimates the subject's value by the income approach to be \$920,000 (rounded), excluding the excess land.

To value what he identified as the excess land, Nelson considered five land sales in Clinton and DeWitt which sold between \$0.52 to \$3.26 per square foot. Recognizing the land lacks direct street frontage and would require an access easement, he determined a value of \$1.00 per square foot; for a total value of the excess land of \$150,000.

Nelson gives primary consideration to the sales comparison approach to value. After adding in the value of the excess land, Nelson's opinion of market value for the subject property is \$1,100,000 which is less than its 2021 assessment.

## 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). Sales prices of the property or comparable properties in normal transactions are to be considered in arriving at 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 account for market distortion. *Id.* "When sales of other properties are admitted, the market value of the assessed property must be adjusted to account for differences between the comparable property and the assessed property to the extent any differences would distort the market value of the assessed property in the absence of such adjustments." *Soifer v. Floyd Cnty. Bd. of Review*, 759 N.W.2d 775, 783 (Iowa 2009). Whether other property is sufficiently similar and its sale sufficiently normal to be considered on the question of value is left to the sound discretion of the factfinder. *Id.* "Factors that bear on the competency of evidence of other sales include, with respect to the property, its '[s]ize, use, location and character,' and, with respect to the sale, its nature and timing.' " *Id.* (quoting *Crozier v. Iowa-III. Gas & Elec. Co.*, 165 N.W.2d 833, 834 (Iowa 1969)).

If sales cannot readily establish market value, "then the assessor may determine the value of the property using the other uniform and recognized appraisal methods," such as income and/or cost. § 441.21(2). "A party cannot move to other-factors valuation unless a showing is made that the market value of the property cannot be readily established through market transactions." *Wellmark, Inc. v. Polk Cnty. Bd. of Review*, 875 N.W.2d 677, 682 (Iowa 2016). "In a tax assessment appeal, the party relying on the 'other factors' approach has the burden of persuading the fact finder that the fair market value of the property cannot be readily established by the comparable sales approach." *Carlton Co. v. Bd. of Review of City of Clinton*, 572 N.W.2d 146, 150 (Iowa 1997) (citing *Bartlett & Co. Grain v. Bd. of Review*, 253 N.W.2d 86, 89 (Iowa 1977)). Where PAAB is convinced comparable sales do not exist or cannot readily determine market value, then other factors may be used. § 441.21(2); *Compiano v. Bd.*

*of Review of Polk Cnty.*, 771 N.W.2d 392, 398 (Iowa 2009) (citing *Soifer*, 759 N.W.2d 775 at 782).

Clinton Medical contends the subject property is over assessed as provided under Iowa Code section 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)(2), the taxpayer must show: 1) the assessment is excessive and 2) the subject property's correct value. *Soifer*, 759 N.W.2d at 780 (citation omitted). All of the evidence shows the subject's 2021 assessment is excessive. Therefore, we find our remaining task is to determine what evidence of value is most persuasive. *Compiano*, 771 N.W.2d at 397 (stating that if the ground for protests are established, then the property's correct value must be determined based on all the evidence).

When considering the evidence of value, we find the record includes a substantial number of sales that can readily establish the subject's value. Though not ultimately given weight, the inclusion of the income approaches – especially considering the income-producing potential of the property – is nonetheless useful in this case. *Heritage Cablevision v. Bd. of Review of City of Mason City*, 457 N.W.2d 594, 598 (Iowa 1990) (“The advantage of using multiple appraisal techniques lies primarily in those instances where the differing techniques lead to similar conclusions concerning market value and therefore tend to support each other.”). The approach itself can illuminate issues surrounding a property's value and, perhaps, lend support to an expert's sales comparison approach.

The subject sold in 2020 for \$400,000 (before repair credit) and Clinton Medical argues that the assessment should be set at the sale price. While the sale price of the subject in a normal transaction 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). See *McHose v. Property Assessment Appeal Bd.*, 2015 WL 4488252 (Iowa Ct. App. 2015) (affirming PAAB's decision to reject the subject's sale price when other comparable sales demonstrated the subject sold below market value). We consider the subject's sale price against the other evidence of value. In doing so, we note the sale was a multiple parcel sale. Additionally, Nelson testified he believed the sale of the

subject property was the result of the owner's sale of his medical practice. Lastly, three valuations in the record all show the sale price was below market value.

The record contains three other opinions of value. The first is Jacobs' appraisal valuing the property at \$573,000 by the sales comparison approach. Jacobs' appraisal includes comparable sales adjusted for differences to the subject property. However, four of his comparables were sold by the same seller in a relatively short period of time (J2, J3, J7, and J8). This is indicative of a seller off-loading assets and we question whether these sales truly reflect market value. The Board of Review believes they do not. Comparable J5 sold in a multi-property transaction along with the subject. Nelson described the sale as being the result of the sale of a medical practice. Again, making this Board question if the sale price was at market value. Comparables J4 and J6 are the only sales which did not involve multiple properties or the same parties. Additionally, while the subject is a multi-tenant property, it appears Jacobs relies on all single tenant comparables.

We have a concern that the majority of Jacobs' sales comparable involve common parties and multiple properties. Jacobs did not include much detail regarding any of his sales or testify at the hearing to assuage our concerns about their reliability. In our view, his appraisal report alone does not adequately explain his research of his sales or the adjustments to his comparables. Moreover, we believe Jacobs' wide range of adjusted values might be explained by his use of these questionable sales transactions. Because of the wide range of adjusted values, we question the strength of Jacobs' reconciled value opinion. For these reasons, we tend to find Jacobs' sales comparison approach less persuasive.

Additionally, while not giving weight to the income approach, we have questions of Jacobs' income approach which relies on all NNN comparable leases but estimates a gross lease for the subject. Therefore, he may underestimate revenues or overestimate expenses and undervalue the property. Despite these issues, Jacobs' income approach estimate is higher than his sales comparison approach value, causing us to question the reliability of his value opinion.

The Board of Review commissioned David Mark Nelson to prepare an appraisal of the property. Nelson considered the subject to be more of a multi-tenant office building with secondary medical uses. This appears to be more in line with the subject's current use. His sale comparables had similar multi-tenant general office and secondary medical uses. Though located primarily in the Quad Cities area, he made downward adjustments reflecting their superior location relative to the subject. Nelson appears knowledgeable of each comparable sale and the conditions surrounding them. He made no adjustments for property rights regardless of four of the five comparables being leased fee sales. He reported minimal analysis for his lack of property rights adjustments. However, because his knowledge of the sales we have confidence the sales were reflective of fee simple sales. Unlike Jacobs, Nelson's adjusted range was relatively narrow and his report and testimony more thoroughly explained his adjustments. Together, this bolsters our confidence in his value opinion.

Nelson's sales approach is slightly higher than his value indication by the income approach. Nelson's income approach reaches similar conclusions to Jacobs regarding gross income and capitalization rates. The two differ significantly regarding expenses, based primarily on Jacobs' treatment of property tax expenses.

Nelson gave primary weight to his sales comparison approach value of \$950,000 and added to that his estimate of the excess land value, resulting in valuation of \$1,100,000 for the subject. Although we agree the unused portion of the site contributes to its overall value, we disagree with Nelson's treatment of the land as excess land as opposed to surplus land for assessment purposes. Because assessment law requires valuing property as a whole based on its current use, we do not think the unused area should be treated as excess land with an independent highest and best use. Rather, we think it should be treated as surplus land. Because of this, we believe Nelson's total value may be too high.

Lastly, Tiesman revalued the subject property as part of this appeal and opined a value of \$966,290. The Board of Review submitted a modified property record demonstrating Tiesman's revaluation. It shows a reduction in the property's condition rating, the application of economic and functional obsolescence, and slight reduction in

land value. Additionally, Tiesman reviewed three property sales. Although unadjusted, their average sales prices indicate a value of \$993,400 (rounded) and exceed Tiesman's revaluation.

Having considered the subject's sale price and the other opinions of value, we find the value indicated by Tiesman's revaluation - \$966,290 - is a fair, reasonable, and accurate estimate of the subject's market value as of January 1, 2021. We find the subject's sale is not a reliable indication of market value and the sale price is not supported by the other evidence of value in the record. In evaluating the appraisals, we find only Nelson primarily relied on similar multi-tenant property sales. Aside from that, the properties demonstrated a variety of differences in age, size, and design. Although the closer proximity of Jacobs' sales is preferable, he relied on some questionable sale transactions, his report lacked detail about the sales, and his wide range of adjusted sales weakens the reliability of his conclusions. Nelson considered more distant properties, but we find his sales transactions more reliable and his adjusted sale range was narrow. Overall, we find his value opinion to be the best supported and his report the most complete. However, we disagree with his treatment of the unused land when valuing for assessment purposes and believe his final value conclusion may be too high. Based on the totality of the evidence, we believe the subject has a market value above Nelson's opinion of \$950,000, excluding his excess land adjustment, but less than his total reconciled value of \$1,100,000.

Tiesman's revaluation sits within this range and is supported not only by his own unadjusted sales, but by Nelson's appraisal. Nelson's sales and income approaches come in lower than Tiesman's revaluation before consideration of the surplus/excess land. Given our opinion that Nelson's valuation of the additional land might be excessive, we believe Tiesman's revaluation offers the best estimate of the subject property's value.

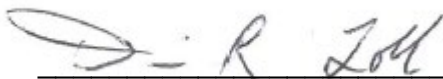
## **Order**

PAAB HEREBY MODIFIES the Clinton County Board of Review's action and orders the subject property's January 1, 2021, assessment be set at \$966,290.

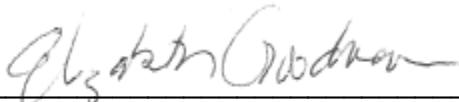
This Order shall be considered final agency action for the purposes of Iowa Code Chapter 17A.

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.



Dennis Loll, Board Member



Elizabeth Goodman, Board Member



Karen Oberman, Board Member

Copies to:

Matthew Brisch for Clinton Medical Group, LLC by eFile

Clinton County Board of Review by eFile

Clinton County Auditor  
Clinton County Administration Building  
1900 North 3rd Street  
Clinton, Iowa 52732