

STATE OF IOWA  
PROPERTY ASSESSMENT APPEAL BOARD

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**Thomas E. Alden,**  
Petitioner-Appellant,

v.

**Floyd County Board of Review,**  
Respondent-Appellee.

**ORDER**

**Docket No. 11-34-0190**  
**Parcel No. 05-07-451-001-00**

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On October 8, 2012, the above captioned appeal came on for hearing before the Property Assessment Appeal Board. The appeal was conducted under Iowa Code section 441.37A(2) and Iowa Administrative Code rules 701-71.21(1) et al. The Appellant Thomas E. Alden was self-represented and participated by phone. Alden chose to participate for only half of the hearing and left after he presented his evidence and testimony. He did not hear the Board of Review evidence or testimony. County Attorney Normand Klemesrud represented the Floyd County Board of Review. Both parties submitted evidence. The Appeal Board having reviewed the record and being fully advised, finds:

*Findings of Fact*

Thomas E. Alden is the owner of a residential, single-family property located at 113 N Hooker, Nora Springs, Iowa. The property is a one-story design. The original structure is a manufactured home, built in 1975, and has 1248 square feet of living area on the main level with a full basement. The basement area under the original structure has 650 square-feet of finish. Additionally, there is a 416 square-foot enclosed porch, a 260 square-foot open porch, two concrete patios, and a 624 square-foot attached garage. Construction began on an addition to the dwelling in 2010. Construction remains incomplete on the 1248 square-foot, one-story addition

with a full, unfinished basement. The basement under the addition currently does not have a stairwell and the only access to it is by a ladder through the unfinished sub-floor. The property also has a 1344 square-foot detached garage, built in 1998, and a 168 square foot shed built in 1975. The site is 0.892 acres.

Alden protested to the Floyd County Board of Review regarding the 2011 assessment of \$184,900, allocated as \$36,380 in land value and \$148,520 in improvement value. His claim was based on the grounds that 1) the assessment was not equitable as compared with the assessments of other like property under Iowa Code section 441.37(1)(a)(1); and 2) there has been a change in the value since the last assessment under 441.37(1) and 441.35(2). In a re-assessment year, a challenge based on downward change in value is akin to a market value claim under section 441.37(1)(a)(2). *See Dedham Co-op. Ass'n v. Carroll County Bd. of Review*, 2006 WL 1750300 (Iowa Ct. App. 2006). The Board of Review denied the protest.

Alden then appealed to this Board reasserting his claims and asserting the correct market value is \$156,380, allocated \$36,380 in land value and \$120,000 in improvement value.

On his protest form to the Board of Review, Alden listed three properties and their assessed values as equity comparables; however, at hearing he gave no testimony regarding these properties or his equity claim. All of evidence and testimony provided related to his market value claim. Thus, this is the only claim we will address.

Alden believes the assessment incorrectly considers the subject's addition to be 40% complete and assigns too much value to the unfinished project. He also believes the assessment incorrectly values the addition with heating and cooling, which he contends it does not currently have and that a sidewalk was incorrectly valued as a patio. Alden also raised his concern that the assessment lists two bedrooms in the home, when one of the rooms is actually an office. We

note that although Alden chooses to utilize the room as an office, the market would reasonably identify this room as a bedroom.

Alden provided an appraisal completed by Michael T. Albrecht of North Iowa Appraisal, LLC. Albrecht completed a retrospective appraisal for the purposes of determining a market value as of the January 1, 2011, assessment date. He inspected the subject property on June 20, 2011. He developed only the sales comparison approach to value, using three comparable properties in Nora Springs. They sold for \$128,500 to \$155,000. Two sales were in 2010 and one was in 2007. He explains there is an extreme lack of data due to a limited supply of similar homes with similar improvements. To value the 1284 square feet of unfinished addition, Albrecht made an upward \$12,000 adjustment to the comparable properties. Albrecht explains in his report that he estimated this value by determining the contributory value of the incomplete addition. First, using *Marshall and Swift*, Albrecht determined the cost (including labor) of building the addition to its current unfinished status, which he concluded was \$57,500. Albrecht's estimated costs do not reflect the *total cost* of completion; rather, he only provides estimates of the cost associated with the existing partial construction (foundation, roofing, windows, and labor.) Albrecht's costs do not include heating/cooling, plumbing, interior framing, drywall, trim work, flooring, or other finish materials such as fixtures. He then estimated the contributory value of the incomplete improvement to be 20% of the current costs. After adjustments, the three properties indicated a range in value from \$163,200 to \$174,200. Albrecht concluded a value opinion of \$164,000 for the subject property.

Floyd County Assessor Bruce Hovden testified for the Board of Review. Hovden agreed the Albrecht appraisal, overall, was a "reasonable market value appraisal." Hovden disagreed, however, with the value Albrecht assigned to the unfinished addition to the home.

Hovden asserts Albrecht's 20% contributory value is incorrect because, by his estimation, the addition is 40% complete. He believes the adjustment for the addition should be approximately \$24,000, rather than \$12,000.

Hovden provided Exhibit C, a "Residential Property Worksheet," that he testified was completed at the time the Board of Review inspected the subject property. This worksheet indicates the subject's addition is 40.5% complete. The worksheet is based on the *Iowa Real Property Appraisal Manual* and appears to reflect the status of the property based on the photographs in the record. There is no evidence to suggest the Board of Reviews estimate of 40% completion for the addition is inaccurate under this method. Hovden applied 40% to Albrecht's cost estimate of \$57,500 to arrive at an adjustment of \$24,000,<sup>1</sup> which he asserts would result in a final range of value from roughly \$175,000 to \$180,000 and would be reasonable.

Albrecht states in his report that the \$12,000 adjustment for the unfinished addition reflects the "market reaction to the current condition of the subject property." Essentially, Albrecht has attempted to reflect functional obsolescence of the "as is" condition of the unfinished addition. We think this method is flawed because he based this opinion on the *incomplete* costs of the addition and not the *total* (finished) costs of the addition. While it is reasonable that there could be negative market reaction to the subject property in its current unfinished state, it is unlikely a purchaser would buy the property with the intention of keeping it unfinished and would take into consideration the costs to complete the improvement.

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<sup>1</sup> Hovden testified he believed the adjustment should have been \$24,000. However we note 40.5% of \$57,500 is \$23,300 (rounded).

Albrecht points out in his appraisal that he believes the contributory value of the improvements, when complete, would be \$30 per square foot, or \$37,440.<sup>2</sup> We are unclear how Albrecht came to this conclusion. The only support he offers for his conclusions is his experience. He specifically states in his report that “there was no market data available to assist in determining an exact estimate of the contributory value of the improvements.” We do not deny data would be difficult to extract from this small market to determine the contributory value of the addition both in its unfinished state and future completed state. That is why we believe the consideration of the total cost would be a better indicator of value in the absence of market-extracted data.

Ultimately, the issue in this appeal is what value the incomplete addition adds to the property.

Hovden agreed with Albrecht’s appraisal, with the exception of the line-item adjustment for the improvements. Hovden’s costs indicate a value for the addition of \$27,451, which is based on a total cost of completion; however, he testified that a value of \$24,000 was also reasonable.

Because Albrecht based his opinion on the contributory value of an incomplete addition, we give it little consideration. Due to the limited information in the record, we accept Hovden’s opinion of \$24,000 as the appropriate adjustment for the value of the addition.

### *Conclusions of Law*

The Appeal Board applied the following law.

The Appeal Board has jurisdiction of this matter under Iowa Code sections 421.1A and 441.37A (2011). This Board is an agency and the provisions of the Administrative Procedure

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<sup>2</sup> Albrecht states \$38,440 in his report, which we assume is a typo. ( $\$30/\text{SF} \times 1248\text{SF addition} = \$37,440$ ).

Act apply to it. Iowa Code § 17A.2(1). This appeal is a contested case. § 441.37A(1)(b). The Appeal Board determines anew all questions arising before the Board of Review related to the liability of the property to assessment or the assessed amount. § 441.37A(3)(a). The Appeal Board considers only those grounds presented to or considered by the Board of Review. § 441.37A(1)(b). But new or additional evidence may be introduced. *Id.* The Appeal Board 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 that the assessed value is correct. § 441.37A(3)(a).

In Iowa, property is to be valued at its actual value. Iowa Code § 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 properties in normal transactions are to be considered in arriving at market value. *Id.* If sales are not available, "other factors" may be considered in arriving at market value. § 441.21(2). The assessed value of the property "shall be one hundred percent of its actual value." § 441.21(1)(a).

In an appeal that alleges the property is assessed for more than the value authorized by law under Iowa Code section 441.37(1)(a)(2), there must be evidence that the assessment is excessive and the correct value of the property. *Boekeloo v. Bd. of Review of the City of Clinton*, 529 N.W.2d 275, 277 (Iowa 1995). Alden provided the Albrech appraisal of the subject property. The Board of Review generally agreed the appraisal was a reasonable representation of market value, with the exception of one adjustment for a large addition to the subject property. The Board of Review's witness, Hovden, proffered that a more correct value for the addition was

\$24,000, rather than Albrecht's \$12,000. Given the testimony, we agree with the Board of Review.

THE APPEAL BOARD ORDERS the assessment of Thomas E. Alden's property located at 113 N. Hooker, Nora Springs, Iowa, of \$184,900, as of January 1, 2011, is modified to a total value of \$176,000, allocated as \$36,380 in land value and \$139,620 in improvement value of January 1, 2011. The Secretary of the Property Assessment Appeal Board shall mail a copy of this Order to the Floyd County Auditor and all tax records, assessment books and other records pertaining to the assessments referenced herein on the subject parcels shall be corrected accordingly.

Dated this 21 day of November, 2012.

Karen Oberman  
Karen Oberman, Presiding Officer

Richard Stradley  
Richard Stradley, Board Chair

Jacqueline Rypma  
Jacqueline Rypma, Board Member

Cc:

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AUDITOR

Certificate of Service	
The undersigned certifies that the foregoing instrument was served upon all parties to the above cause & to each of the attorney(s) of record herein at their respective addresses disclosed on the pleadings on <u>11-21</u> , 2012	
By:	<input checked="" type="checkbox"/> U.S. Mail <input type="checkbox"/> FAX
	<input type="checkbox"/> Hand Delivered <input type="checkbox"/> Overnight Courier
	<input type="checkbox"/> Certified Mail <input type="checkbox"/> Other
Signature:	<u>[Signature]</u>