

STATE OF IOWA
PROPERTY ASSESSMENT APPEAL BOARD

<p>Key Outdoor, Inc., Petitioner-Appellant,</p> <p>v.</p> <p>Jefferson County Board of Review, Respondent-Appellee.</p>	<p>ORDER</p> <p>Docket No. 11-51-0921 Parcel No. 12-03-100-901</p> <p>Docket No. 11-51-0922 Parcel No. 08-35-0376-901</p> <p>Docket No. 11-51-0923 Parcel No. 99-99-999-039</p> <p>Docket No. 11-51-0924 Parcel No. 08-33-400-901</p> <p>Docket No. 11-51-0925 Parcel No. 99-99-999-019</p>
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On November 19, 2012, the above-captioned appeal came on for hearing before the Iowa Property Assessment Appeal Board. The appeal was conducted under Iowa Code section 441.37A(2)(a-b) and Iowa Administrative Code rules 701-71.21(1) et al. Robert Dahl represented Petitioner-Appellant Key Outdoor, Inc. Brett Ryan of Watson and Ryan, PLC, represented the Jefferson County Board of Review. Key Outdoor submitted documentary evidence in support of its position. The Appeal Board now having examined the entire record, heard the testimony, and being fully advised, finds:

Findings of Fact

Key Outdoor Inc. is the owner of five billboards located in Jefferson County, Iowa. It appealed the Jefferson County Board of Review decision reassessing its properties. Key Outdoor protested to the Board of Review on the grounds that its properties were assessed for more than authorized by law under Iowa Code section 441.41(1)(a)(2) and that there was a downward change in value under section 441.37(1)(b) and its reference to section 441.35(2). In a re-assessment year, a challenge based on

downward change in value is akin to a market value claim. See *Dedham Co-op. Ass'n v. Carroll County Bd. of Review*, 2006 WL 1750300 (Iowa Ct. App. 2006). The following chart provides 2011 assessment information and the values sought by Key Outdoor for each of the five properties.

Docket	Location/Identification	Parcel #	2011 AV	Value Sought
11-51-0921	S/S US 34, 150' E/O Velvet Leaf	12-03-100-901	\$61,200	\$12,156
11-51-0922	N/S US 34, 650' W/O Center St	08-35-376-901	\$43,000	\$12,156
11-51-0923	N/S US 34 W. City Limits - Fairfield	99-99-999-039	\$7,400	\$3,960
11-51-0924	S/S US 34, 1000' W/O Velvet Leaf	08-33-400-901	\$49,000	\$12,156
11-51-0925	S/S US 34 E. City Limits - Fairfield	99-99-999-019	\$3,400	\$0

The Board of Review denied the petitions for dockets 0921, 0922, and 0924. It granted, in part, the petitions for dockets 0923 and 0925. It reduced Docket 0923 to \$5400, and Docket 0925 to \$1500.

Key Outdoors then appealed to this Board and reasserted its claims.

Docket 0921 is center monopole with two stacked back-to-back billboards for four signs; it was built in 2004. It is 20 feet in height; has four, 432 square-foot, lighted faces; and has 430 linear feet of work platform.

Docket 0922 is a center monopole with two stacked back-to-back billboards built in 2005. It is 20 feet in height; has four, 288 square-foot, lighted faces; and has 308 linear feet of work platform.

Docket 0923 is a steel I-beam post with a single back-to-back billboard built in 1970. It is 16 feet in height; has two, 300 square-foot faces; and has 50 linear feet of work platform.

Docket 0924 is a center monopole built in 2004. It is 25 feet in height; has four, 336 square-foot, lighted faces; and has 354 linear feet of work platform.

Docket 0925 is a wood pole side-by-side billboard built in 1970. It is 8 feet in height; has two, 288 square-foot faces; and has 48 linear feet of work platform. The property record card lists this improvement in poor condition.

Robert Dahl testified on behalf of Key Outdoor. Dahl's testimony and evidence was similar for all five dockets. The crux of Dahl's testimony was that the cost manual used by the assessor, in his

opinion, does not adequately account for factors that have a negative impact on the value of the signs. For instance, he points out that Exhibit 2, a portion of the *Iowa Real Property Appraisal Manual*, assumes a billboard height of at least thirty-five feet. The *Iowa Manual* then provides percentage increases for each increment of height above thirty-five feet. However, Dahl notes that none of the subject billboards exceeds twenty-two feet in height from the ground, and one is only six feet off the ground. He believes that failing to discount the signs incrementally results in an over-assessment.

Dahl provided a May 2011 letter from Jon Odom, President of Productivity Fabricators Inc. The letter indicates Productivity Fabricators constructs billboards for Key Outdoor and others. Odom's letter states that he reviewed the cost tables Dahl sent. In Odom's opinion, the cost tables are flawed because they start at thirty-five feet to the bottom of the sign. He ultimately suggests a reduction of 15% for heights twenty-five to thirty-four feet; and, a reduction of 25% for heights fifteen to twenty-four feet. He bases this opinion on his company's current construction costs, as compared to the tables he reviewed. We find it reasonable, that if the value of a sign would increase incrementally due to height; then conversely it would decrease in value because of height. While, Odom's letter indicates he came to his conclusion based on his costs, he provides no other support for his suggested adjustments. As such, we are hesitant to rely solely on this letter of opinion.

Dahl also included a September 2011 letter from Martin E. Verdick, Managing Director with McGladrey, which is a national accounting firm. Verdick advises Dahl that according to guidance provided by the Internal Revenue Service, billboards have a 15-year depreciable life and follow the "150% declining balance method." It appears Verdick is referencing generally accepted accounting principles (GAAP)¹, an accounting method for calculating book value. He offers no opinion of market value for any of the five billboards that are the subject of these appeals. Therefore, we give this information no weight.

¹ The definition of GAAP is provided in Blacks Law Dictionary, 8th Edition.

Dahl created an income analysis, a sales analysis, and a cost analysis for each of the subject billboards.

For his income analyses, he provides the average annual revenue for each billboard then deducts annual expenses such as ground rent, sales commissions, illumination, copy change, permit fees, real estate tax, and “corporate overhead allocation.” Dahl identified “corporate overhead allocation” as encompassing salaries (less commission), payroll taxes, insurance, office rent, utilities, postage, travel, and telephone. Ultimately, he concludes a negative income for all five billboards. In both his exhibits and testimony, he states the income approach is not meaningful. In this instance, based on the analysis Dahl presented, we agree.

His sales comparison approach is similar for all five billboards. Dahl considered two sales. The first sale was in June 2008, and the purchaser was Key Outdoor. The sale price was \$12,000 (\$6,000 per billboard). One is located on Highway 34 in Mount Pleasant, Iowa; and, one located on Highway 63 south of Ottumwa, Iowa.

The second sale was in June 2011 for \$130,000, and included two structures and a permit for a third structure on an unimproved site. The billboard sites are located in Dubuque County, Iowa on Highway 20, east of Dyersville. Additionally, this sale included a perpetual ground lease for the three billboard sites, resulting in no ground rent ever being paid to the landowner. The purchase agreement does not allocate a price between the existing billboards, the permit, or the ground lease. Dahl included a letter dated November 2011 from Hans Groteleuschen, CPA, President of YG Financial Group. It not clear what relationship Grotelueschen has to this transaction. His letter, however, attempts to determine an allocation of the \$130,000 to the ground leases and the billboards. He concludes a value of roughly \$25,000 to each of the existing billboards. We do not find this letter to be overly convincing and the opinion appears to be speculation as to the actual allocation of the sale. As such, we give it no weight.

Dahl adjusts both sales using the *Iowa Manual*. He concludes an adjusted price of \$16,410, or \$14.24 per-square-foot of sign area for the first sale; and an adjusted price of \$16,131, or \$12.00 per-square-foot of sign area for the second sale. He averages this range to an indicated price per square foot of \$13.12, and multiplies this price by the total sign area of each docket. Dahl then applies an obsolescence factor to each billboard, resulting in the following conclusions.

Docket	Location/Identification	Total Sign Area	Sign Area X \$13.12	Obsolescence	Value by Sales
11-51-0921	S/S US 34, 150' E/O Velvet Leaf	1512	\$19,838	10%	\$17,854
11-51-0922	N/S US 34, 650' W/O Center St	1200	\$15,744	10%	\$14,170
11-51-0923	N/S US 34 W. City Limits - Fairfield	600	\$7,872	40%	\$4,742
11-51-0924	S/S US 34, 1000' W/O Velvet Leaf	1120	\$14,694	10%	\$13,225
11-51-0925	S/S US 34 E. City Limits - Fairfield	600	\$7,872	100%	\$0

First, we note the sales were adjusted using the *Iowa Manual* and were not compared to each of the individual subject billboards. Additionally, there is no evidence that factors such as location were considered; and, it is unknown what the obsolescence reflects or how it was determined. Because of these concerns, we give these analyses limited consideration.

Lastly, Dahl developed a cost of construction analysis for each of the subject billboards. We find several flaws with this analysis. In short, Dahl starts with a base value which he determined by using the *Iowa Manual*. He then applies negative adjustments for elements such as the billboard's height above ground level, condition, and a "self-construct" adjustment, which he claims, reflects savings to the owner. After making these adjustments, he applies a depreciation adjustment to each billboard, based on the 150% declining balance accounting method previously mentioned. Other than an opinion letter, there is no evidence to indicate the height above ground level adjustments are supported by the market. We do not consider discounting the billboards because they were "built by the owner" to be correct methodology because typically market value includes entrepreneurial

incentive. By doing so, the cost reflects the value to the owner and not necessarily the market value. In conclusion, we give Dahl's cost analysis no weight.

The Board of Review relied on the record.

This Board asked the Board of Review to supply the property record cards for each of the subject properties with the actual cost calculations used to arrive at their values. It was understood that the Board of Review lowered two of the assessments, therefore calculations may for those properties may be available. The Board of Review provided the property record cards for all the subject properties; however, we are disappointed that the calculations again were not included with the cards. It is difficult for property owners, or this Board, to understand the assessments when the basic information and math formulas used to arrive at the assessment are not available. It would seem reasonable that this information is retained for each property and replicable for review, especially if the *Iowa Manual* is being used as required by law. It would also seem plausible that a spreadsheet outlining the development of the cost analysis would be a part of the properties' record. We strongly encourage the Board of Review and/or assessor's office to make efforts to have this information available to the public when it is requested.

Conclusion 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 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). However, 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). Although Dahl offered a numerous exhibits and provided ample testimony, we do not find his conclusions to be supported by the record. The evidence we consider the most significant is the opinion letter from Jon Odom; however, we are hesitant to rely solely on this written opinion due to the lack of explanation and support on how he came to his conclusions. We do find that it would seem logical a discount would be applicable for signs that are less than a threshold height; especially since there is an increase in cost associated with heights above a threshold. However, there is simply insufficient evidence for us to conclude the subject properties are over assessed.

Additionally, we recognize that Dahl expressed concern about the size of the signage for the individual billboards and catwalks were incorrect. At hearing, however, it became clear there was confusion as to whether a square-foot measurement was used or a linear-foot measurement. Therefore, we would suggest it prudent for the Board of Review or assessor to re-visit the subject properties'

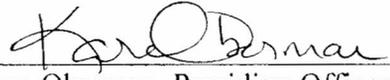
valuations in the next assessment cycle to ensure proper consideration is given for factors that may have an impact on the cost and value of the structures and re-verify the measurements of the signs.

Based on the foregoing, we affirm the assessments for the Key Outdoor, LLC's billboards, located in Jefferson County as determined by the Board of Review. The Appeal Board determines that the property assessment value as of January 1, 2011, is as follows.

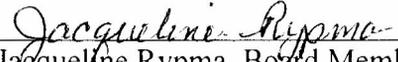
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11-51-0924	S/S US 34, 1000' W/O Velvet Leaf	08-33-400-901	\$49,000
11-51-0925	S/S US 34 E. City Limits - Fairfield	99-99-999-019	\$3,400

THE APPEAL BOARD ORDERS that the January 1, 2011, assessment as determined by the Jefferson County Board of Review is affirmed.

Dated this 24 day of December 2012.



 Karen Oberman, Presiding Officer



 Jacqueline Rypma, Board Member

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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>12-24</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 checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Other
Signature:	