

STATE OF IOWA  
PROPERTY ASSESSMENT APPEAL BOARD

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**Stone Rentals, LLC,**  
Appellant,

v.

**Boone County Board of Review,**  
Appellee.

**ORDER**

**Docket No. 13-08-0224**  
**Parcel No. 08-8426-35-32-82-021**

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On December 4, 2013, the above-captioned appeal came on for hearing before the Iowa Property Assessment Appeal Board under Iowa Code section 441.37A(2)(a-b) and Iowa Administrative Code rules 701-71.21(1) et al. Attorney Kirke C. Quinn of Boone represented Stone Rentals, LLC. Boone County Attorney Daniel Kolacia represented the Board of Review. Both parties submitted evidence in support of their position. The Appeal Board now, having reviewed the record, heard the testimony, and being fully advised, finds:

***Findings of Fact***

Stone Rentals, LLC, owner of property located at 1602 CPL Snedden Drive, Boone, Iowa, appeals from the Boone County Board of Review decision reassessing its property. The real estate was classified commercial for the January 1, 2013, assessment and valued at \$502,611, representing \$64,900 in land value and \$437,111 in improvement value.

The subject property is a one-story, frame office building with 6120 square foot of gross building area built in 2006. The improvements are in normal condition, have an average quality construction grade (4+00), and have 7% physical depreciation. It is located on a 2.98 acre-site also improved with concrete paving and yard lighting. (Exhibits A, Q & R). Additionally, the property is located off State Highway 30 and outside the central business district (CBD) in an agricultural area in the southeast part of Boone. It does not have city water, sewer, or natural gas services.

Stone Rentals protested to the Board of Review on the ground the property was assessed for more than authorized by law under section Iowa Code section 441.37(1)(a)(2). The Board of Review denied the protest. Stone Rentals then appealed to this Board on the same ground. It asserts the correct fair market value of the subject property is \$360,000, allocated as \$45,000 to land value and \$315,000 to improvement value.

Mark Stone, a member and manager of Stone Rentals, LLC, testified the property was built-to-suit for the USDA in 2006. Under the terms of the lease, Stone Rentals provides all interior and exterior maintenance and pays all expenses. (Exhibit 6). The lease expired in October 2013 and the USDA is presently renting month-to-month. Because of a prior flood, and the lack of storm sewer services, approximately one-and-one-half acres of the site are used for a retention pond.

In support of its claim, Stone Rentals submitted an appraisal completed by Michael Olson of the Olson Group, Urbandale, Iowa. (Exhibit 3). Olson also testified at hearing. Olson's appraisal establishes a fee simple market value for the subject property as of January 1, 2013. Olson chose not to conduct an income approach after finding there was no active comparable rental market because the property was a built-to-suit, single-user building, and most similar properties are owner-occupied in Boone. He developed cost and sales approaches and gave the sales approach the most weight in his reconciliation. He explained the sales approach was the best indicator and he gave it the most weight. Olson concluded a final reconciled value of \$360,000 as of January 1, 2013.

He valued the property as follows:

Cost Approach	\$395,000
Sales Comparison Approach	\$355,000
Reconciled Value	\$360,000

Olson observed limited development in the subject property's neighborhood. Olson stated there are no office buildings near the subject property, but only the local airport and a highway maintenance shed. He explained it is not in the center of Boone, but rather out on a country road. In

his opinion, the subject property would be better suited for industrial use given its location. It is clear from an aerial photograph of this section of Boone, the subject property is in an undeveloped, rural area. (Exhibit S).

#### Olson's Cost Approach

Olson developed the cost approach to value and determined a value of \$395,000 (rounded). To value the subject site, he used two sales from 2010 and 2011 and one listing in Boone. Olson noted all of the comparable properties were adjusted downward between 10% and 50% for location because the subject property lacks frontage along a major thoroughfare and is in an area of minimal development. Additionally, all land sales were considered superior to the subject and adjusted downward 30% to 50% for the physical characteristics of the site. These adjustments resulted in significant reduction in sale prices, which may indicate they are not comparable to the subject property. For example, Sale #2 had a sales price of \$1.27 per-square-foot (\$950,000) and was adjusted downward to \$0.34 per-square-foot (\$254,600 rounded). He concluded a land value of \$0.34 per-square-foot or a total land value \$45,000 (rounded) for the subject property after making adjustments for location, size, shape, and topography based on market trends and appraiser's judgment.

Using Marshall Valuation Services, Olson calculated a \$438,255.90 depreciated replacement cost of the building and site improvements, he then applied 20% external obsolescence (\$87,651.18) resulting in a total depreciated replacement cost of \$350,605. In Olson's opinion, the obsolescence was a result of the market slowdown between 2007 and 2008 and the lack of development in the subject's vicinity. He explained his opinion is based on his experience and knowledge but he does not provide any supporting evidence as to how he gained this knowledge.

We note that Olson's appraisal indicates the subject's improvements were constructed in 2009, when the property record card and Stone's testimony established the property was built in 2006. Olson's depreciated cost of the improvements was based on an effective age of four years when the

property's actual age as of January 1, 2013, was roughly seven years. While the error means that Olson likely under-depreciated the property, it also causes us to question Olson's diligence in confirming details about the subject property and his resulting conclusions.

#### Olson's Sales Comparison Approach

In the sales comparison approach, Olson used three sales of commercial office buildings in Ames and Madrid ranging in size from 1942 square feet to 8403 square feet of gross building area. (Exhibits 3, K-P). The sales prices ranged from \$150,000 to \$590,000, or \$68.29 per-square-foot to \$72.24 per-square-foot of gross building area, and occurred between April 2010 and February 2013. He made downward adjustments of 10% to 20% for the location of the comparable sales on superior access on major thoroughfares and highways. Other adjustments were made for size and age/condition. His calculations resulted in adjusted sale prices of \$55.31 to \$66.35 per-square-foot of gross building area. Olson estimated the market value of the subject property at \$58.00 per-square-foot of gross building area, for a value conclusion of \$355,000 (rounded) by the sales approach.

Olson acknowledged he did not verify the comparable sales. He did complete an exterior drive by inspection of each property. He defended the use of Sale #1, which was a short sale and vacant at the time of sale, as a comparable because he believes short sales are part of the market. We also note that Comp #3 is reportedly in the Madrid city center, not in a rural location like the subject. We disagree with Olson's use of the short sale without adjustment in particular, and question his verification of these sales prior to his analysis and significant reliance on them. His testimony indicated he lacked detailed familiarity with the comparables. For these reasons, we give his appraisal limited consideration.

Assessor Paul Overton testified that Vanguard conducted a reevaluation of all commercial properties in the county using the Iowa Department of Revenue REAL PROPERTY APPRAISAL MANUAL. The significant increase in the 2013 assessment was the result of the complete reappraisal.

Overton reported there were no comparable sales in the area and he was critical of the comparable properties Olson used. He testified Sale #1 was a short sale and vacant at the time of transaction, and Sale #2 was only 1/3 owner-occupied when it sold. He believed only Sale #3 was an arm's-length transaction, but Olson's location adjustment was possibly overstated for this property. Further, Overton believes Olson's cost approach was slanted to lower construction costs. He also questioned the quality grade Olson assigned to the building. Overton believed Olson's use of 20% obsolescence in the cost approach undervalues the properties.

Overton said when the assessment was completed, he did not focus on the area within a few blocks of the subject but looked at development in the county as a whole. He acknowledged rural development is sparse and that Boone County is driven by agricultural development. Although Overton did not receive Stone Rental's income information until ten days before hearing, his quick calculation produced an estimated value of \$491,000 using the subject property's contract rent, which he believes supports the assessment.

Finally, Overton provided a list of 2005 to 2012 improved commercial sales and vacant land sales in Boone, which Vanguard relied on to set land values in the county. Below are the most current sales, which occurred in 2011 and 2012.

Address	Date of Sale	Sale Price	Acres	\$PSF	AV 1st Acre	AV 2nd Acre	AV 3rd Acre
Subject	N/A	N/A	2.98		\$40,000	\$20,000	\$10,000
2174 Knezivich	4/4/2012	\$100,000	5.00	\$0.71	\$70,000	\$35,000	\$17,500
1515 SE Marshall	11/28/2011	\$950,000	17.19	\$1.50	\$212,000	\$106,000	\$53,000
1010 Kate Shelly	7/19/2011	\$21,000	0.24	\$1.83	\$114,000		

These sales ranged from \$0.71 to \$1.83 per-square-foot, with a median of \$1.50 per-square-foot. The subject land is assessed at \$0.50 per square foot, which is well below the lower end of the range. The inferior location of the subject property in relation to the CBD appears to be reflected in the lower unit pricing used in its assessment, as compared to the other land locations.

### *Conclusions of Law*

The Appeal Board based its decision on 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). 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). However, the taxpayer has the burden of proof. § 441.21(3). This burden may be shifted; but even if it is not, the taxpayer may still prevail based on a preponderance of the evidence. *Id.*; *Richards v. Hardin Cnty. Bd. of Review*, 393 N.W.2d 148, 151 (Iowa 1986).

Property is to be valued at one hundred percent of its actual value. § 441.21(1)(a). Actual value is the property's fair and reasonable market value. *Id.* "Market value" essentially is defined as the value established in an arm's-length sale of the property. § 441.21(1)(b). Sales prices of the property or comparable properties in normal transactions are to be considered in arriving at market value. *Id.* Section 441.21(1)(b) further states the sale prices of properties in abnormal transactions not reflecting market value must not be taken into account, or must be adjusted to eliminate the effect of factors which distort market value, including . . . foreclosure or other forced sales. If sales are not available to determine market value then "other factors," such as income and/or cost, may be considered. § 441.21(2).

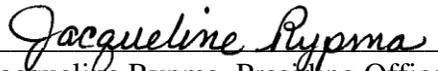
In an appeal alleging the property is assessed for more than the value authorized by law under Iowa Code section 441.37(1)(a)(2), there must be evidence that the assessment is excessive and the correct value of the property. *Boekeloo v. Bd. of Review of Clinton*, 529 N.W.2d 275, 277 (Iowa 1995).

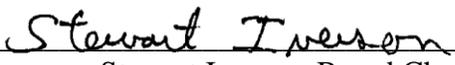
Here, it was Stone Rentals' burden to show the subject property was over-assessed by establishing its fair market value as of January 1, 2013. Stone Rentals' primary evidence of the property's value is Olson's appraisal. Olson gives the greatest weight to the sales comparison approach to value and concludes a reconciled value of \$360,000. However, Overton was critical of Olson's sales. He stated that Sale #1 was a short sale and vacant and Sale #2 was partially vacant and partially owner-occupied. We question why Olson's appraisal failed to recognize Sale #1 was a short sale, and likewise question Olson's due diligence in confirming the circumstances surrounding these sales transactions.

Consistent with section 441.21(1)(b)(1), we do not find Sale #1 to be a reliable indicator of the subject's value without adjustment for the distorting factors. The remaining two sales, and the Assessor's testimony, indicate the sales comparison approach alone is not a reliable indicator of value in this case. However, even Olson's cost approach is not without errors. Given these sales conditions and our concerns with Olson's diligence in confirming the sales conditions as well as the error in listing the property's age and significant obsolescence adjustment, we are not convinced the appraisal is an accurate reflection of the property's fair market value as of January 1, 2013. Therefore, Stone Rentals did not provide sufficient evidence of the subject property's fair market value to support its claim of over-assessment.

THE APPEAL BOARD ORDERS the January 1, 2013, assessment of Stone Rental, LLC's property located in Boone, Iowa, as determined by the Boone County Board of Review, is affirmed.

Dated this 7th day of February, 2014.

  
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Jacqueline Rypma, Presiding Officer

  
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Stewart Iverson, Board Chair

  
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Karen Oberman, Board Member

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