

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

PAAB Docket No. 14-01-0069

Parcel No. 11-06-400-009

Quad Graphics,
Appellant,

vs.

Adair County Board of Review,
Appellee.

Introduction

This appeal came on for telephone hearing before the Property Assessment Appeal Board on April 30, 2015. Barb Ricken of Grant Thornton, LLP represented Quad Graphics. Adair County Attorney Clint Hight represented the Board of Review.

Quad Graphics owns the industrially classified property located at 401 N Towline Road, Greenfield, Iowa. It is a manufacturing property built approximately in 1981 with a gross building size of roughly 42,000 square feet. The site is 7.24-acres.

The property was valued at \$1,466,514, allocated as \$61,540 in land value and \$1,404,974 in improvement value, on the January 1, 2014, assessment. This value did not change from the prior year's assessment; therefore, Quad Graphics was limited to a claim of change in value under Iowa Code section 441.37(1)(a)(2). The Board of Review denied the protest. Quad Graphics then appealed to PAAB. Neither party submitted new evidence to PAAB, choosing to instead rely upon the certified record.

Findings of Fact

Quad Graphics relies on a "Valuation Package" created by Barb Ricken, Ryan Katz, and others, which purportedly values the subject property for the January 1, 2014, assessment. Two versions of the Valuation Package appear in the certified record; one is dated May 2, 2014, and the other May 9. The May 2 Package values the subject property at \$967,587, whereas the May 9 Package values the property at \$957,000. Quad Graphics seeks the lower opinion of value.

In an email from Barb Ricken to the Adair County Assessor, Ricken identifies the revised valuation takes into account some discrepancies in Grant Thornton's records regarding the property's square footage, among other things, as compared to the Assessor's. The May 2 Package indicates that sales, cost, and income approaches to value were developed. Moreover, it states most consideration was given to the sales comparison approach with secondary emphasis given to the income approach; and that the cost approach was completed for "informational purposes." The cost approach, however, was not included in this version of the Package and instead appeared in the May 9 Package. Ultimately, the four sales used in each Package are the same.

Ryan Katz testified he helped prepared the Valuation Package(s) and that market sales do not support the current assessment at approximately \$35 per-square-foot. Katz testified his firm analyzed the subject property and "had multiple conversations with the facilities manager of the subject property." Based on these conversations, Katz concludes the design of the subject improvements, which house the majority of the manufacturing process in the lower level (basement), suffers from significant functional

obsolescence. It is his opinion the layout affects the marketability of the property to a new user; and therefore, reduces the value.

Katz testified about the comparable sales analysis in the valuation packages.

The May 9 package is summarized in the following chart.

	Date of Sale	Sale Price	Building Size	Year Built	SP/SF	Adjusted Sale Price
Subject	N/A	N/A	33,600 (above grade) 42,000 (total)	1981	N/A	N/A
401 SW 8th St, DSM	Dec-12	\$645,000	27,088	1973	\$23.81	\$34.60
5727 NE 16th St, DSM	Feb-11	\$787,500	30,700	1980	\$25.65	\$26.90
2128 NE Broadway Ave, DSM	Sep-11	\$850,000	25,613	1973	\$33.19	\$38.30
1816-8124 Industrial Cr, WDM	Sep-12	\$725,000	33,700	1973	\$21.51	\$24.70

The sales were adjusted for conditions of sale, location, economic characteristics/age, use, and non-realty components. The adjustments were unexplained. The May 9 Package indicates a conclusion of roughly \$23 per-square-foot for the total building area (42,000 square feet); or \$975,000. Katz notes this property would not have the desirability of the properties on the higher end of the range and thus reconciled to the lower end of the range.

A cost approach was also completed for the property in the May 9 Package which concludes a value of \$1,000,000. Katz testified his belief that even without economic or functional obsolescence considered in the approach, the assessment is excessive.

The May 2 Package also has an income approach; however, the analysis states the address of the subject property is 400 Deming Avenue, Waukee. Further, the net

rentable area is identified as 26,151 square feet, rather than reflected the adjusted building area noted in the May 9 Package. Due to the discrepancies, we find it unreliable.

Barb Ricken testified she also believe the property has significant functional obsolescence. She stated their company knows the industry and reviews Quad Graphics' information across the county. She agreed with Katz testimony regarding the subject property and reiterated his statements relating to the Valuation Packages.

The Board of Review called no witnesses.

Conclusions of Law

PAAB has jurisdiction of this matter under Iowa Code sections 421.1A and 441.37A (2014). PAAB 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). PAAB considers only those grounds presented to or considered by the Board of Review, but 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(1)(a-b). New or additional evidence may be introduced, and 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 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. §441.21(1)(b).

Conversely, sales of property in abnormal transactions not reflecting market value shall not be taken into account, or must be adjusted to eliminate the factors, which distort market value. *Id.*

“For even-numbered assessment years, when the property has not been reassessed” a taxpayer may challenge its assessment on the basis that there has been a change in value from the immediately preceding assessment year. Iowa Code § 441.37(1)(a)(2); *Equitable Life Ins. Co. v. Bd. of Review of Des Moines*, 252 N.W.2d 449 (Iowa 1977). “When this ground is relied upon, the protesting party shall show the decrease in value by comparing the market value of the property as of January 1 of the current assessment year and the actual value of the property for the previous assessment year.” *Id.*; see also *Equitable Life Ins. Co.*, 252 N.W.2d at 450 (holding for a taxpayer to be successful in its claim of change in value, the taxpayer must show a change in value from one year to the next; the beginning and final valuation). Essentially, it is not enough for a taxpayer to prove the last regular assessment was wrong; such a showing would be sufficient only in a year of regular assessment. *Id.* at 451.

Both of Quad Graphics’ Valuation Packages report a “Tax Year” of 2013. Ricken, however, testified that the Packages determine a value for the property as of January 1, 2014. Whether these Packages value the subject property for January 1, 2013, or January 1, 2014, Quad Graphics did not provide any evidence of the property’s value for *both* years. Both the January 1, 2013, and January 1, 2014, values are required to support a claim of change in value. *Id.* at 450. Further, the information in

the Packages lacked detail and explanation, and other errors would render it insufficient and unreliable to establish the subject property's market value even if only one valuation were required.

Order

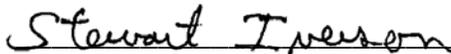
IT IS THEREFORE ORDERED the January 1, 2014, assessment of the subject property as set by the Board of Review as is affirmed.

This Order shall be considered final agency action for the purposes of Iowa Code Chapter 17A (2015). 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 20 days of the date of this Order and comply with the requirements of Iowa Code sections 441.38; 441.38B, 441.39; and Chapter 17A.

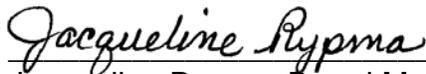
Dated this 3rd day of June, 2015.



Karen Oberman, Presiding Officer



Stewart Iverson, Board Chair



Jacqueline Rypma, Board Member

Copies to:

Barb Ricken

Clint Hight