

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

PAAB Docket No. 2015-107-01094I

Parcel No. 013+8947-27-201-009

Missouri Valley Steel,  
Appellant,

v.

Sioux City Board of Review,  
Appellee.

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**Introduction**

This appeal came on for consideration before the Property Assessment Appeal Board (PAAB) on June 14, 2016. Jeff Remien, Accounting Manager, represented Missouri Valley Steel (MVS). Attorney Jack Faith represented the Sioux City Board of Review.

MVS is the owner of an industrially classified manufacturing facility at 1300 Division Street, Sioux City. Built between 1952 and 1991, it has 121,494 square feet of gross building area (GBA), including office, light manufacturing, and warehouse space. It also has 30,000 square feet of concrete paving. The site is 11.30 acres. (Ex. 2).

The property's January 1, 2015, assessment was \$1,631,600, allocated as \$433,000 in land value and \$1,198,600 in improvement value. On its protest to the Board of Review, MVS filled in the portion of the petition claiming there was an error in the assessment under Iowa Code section 441.37(1)(a)(1)(d). However, the error claim essentially asserted the property was assessed for more than the value authorized by law under section 441.37(1)(a)(1)(b).

The Board of Review denied the petition. MVS then appealed to PAAB, reasserting its claim of overassessment. It believes the property's correct fair market value is \$1,200,000.

## Findings of Fact

Accounting Manager Jeff Remien testified on behalf of MVS. Remien asserts the increase from the 2013 to 2015 assessment year is not reasonable. Remien asserts the economy in the last five years has not been good, and that the metals market has seen a 33% downturn in revenues, which he asserts supports his belief the assessment is incorrect. MVS submitted a chart of "Industrial Property Asking Price Index – Sales Trends" (Ex. 3), which shows a downward trend in asking prices of industrial properties from 2009 to mid-2012. Although there has been some up and down movement from mid-2012 to 2015, on average, the trend line is stable. In 2015, the asking price for industrial properties in Sioux City was roughly \$36.00 per-square-foot (PSF), which we presume is based on GBA. We note the subject's 2015 assessment is \$13.43 PSF of GBA.

MVS submitted an appraisal of the subject property completed by Dane Anderson, Robyn Marshal, and Adam Losey of Real Estate Research Corporation (RERC), West Des Moines, Iowa. The RERC appraisal identifies its intended use was to establish the fair market value for financing purposes. (Ex. 4.1, p. 2). It included the sales comparison, cost, and income approaches to value. The appraisal concludes the subject's fair market value as of November 8, 2013, was \$1,200,000.

The cost approach was based on an insurable value, rather than a market value. Because of this, we give this approach no consideration.

The sales comparison approach included four sales of manufacturing properties that sold between August 2011 and March 2013, and concluded a value of \$1,090,000. Sales 2, 3, and 4 occurred in 2011. The average adjusted sales price PSF is approximately \$9.30. Sales 2 and 3 had adjusted values of \$9.38 and \$13.96 PSF respectively and the appraisal identified them as being "the best indicators of value for the subject." (Ex. 4.1, p. 39). We find that Sale 3 is substantially similar to the subject in terms of land area, GBA, age, land-to-building ratio, and overhead door counts and is overall the most comparable to the subject.

At \$9.00 PSF of GBA, the conclusion of value based on this analysis was below both of these adjusted sales and the average of all of the adjusted sales. In our opinion,

the appraisers' use of Sales 1 and 4, which are more than double the subject's size, lowered the sales price PSF conclusion and ultimately artificially lowered the appraisal's value conclusion by the sales comparison approach.

Moreover, we note the RERC appraisal used a combination of qualitative and quantitative adjustments. The appraisal indicates qualitative adjustments were made for location, size, and "additional" considerations. Because they were not quantified, PAAB is unable to determine the reasonableness of these adjustments.

In fact, we question whether the qualitative adjustments were applied at all. The appraisal indicates that all of the comparable sales are inferior to the subject, which would require an upward adjustment to the sales price PSF conclusion. Nonetheless, the reconciled value of \$9.00 PSF is below the average of the adjusted sales. Because we found Sale 3 to be most similar to the subject and because the appraisal concluded that all of the sales required upward adjustments because they were inferior, we would expect, at a minimum, that the reconciled value PSF would be higher than the average adjusted sales PSF.

Ultimately, we hesitate to rely on these conclusions because they are primarily based on sales from 2011, we question the adjustments made to the sales, and we are unable to determine if they reasonably reflect a market value opinion as of January 1, 2015.

The income approach concluded an opinion of \$11.44 per GBA, or \$1,390,000 rounded. (Ex. 4.1, p. 50). Similar to our concerns with the sales comparison analysis, the income approach relies on rentals with lease dates from 2010 to 2013, and we question the relevance of this data for a 2015 market value conclusion.

In addition, we find the appraisal's market rent conclusion of \$1.75 PSF to be low. After applying qualitative adjustments to existing lease comparables, the appraisal notes an indicated "range of approximately \$2.15 to \$2.70 PSF." (Ex. 4.1, p. 44). The appraisal then analyzed lease listings and concluded the listings indicated a range from \$1.50 to \$2.35 PSF. (Ex. 4.1, p. 45). With the exception of Listings 2 and 5, however, all of the properties were significantly larger than the subject. Listings 2 and 5 were listed at \$2.75 and \$2.50 PSF respectively, on a modified gross basis. (Ex. 4.1, p. 44).

Lastly, the appraisal notes that local brokers and market participants indicate rents for warehouse space from \$2.50 to \$3.50 PSF. (Ex. 4.1, p. 45). In our view, this evidence indicates the subject's likely rental rate is something higher than the \$1.75 PSF the appraisal concludes.

Moreover, the RERC appraisal used a capitalization rate of 11%, stating, "Primary reliance has been placed on the capitalization rates extracted from sales." (Ex. 4.1, p. 50). However, the capitalization rate summary, which relied on four sales, had an average capitalization rate of 9.94%, with three of the sales having capitalization rates of 9.40%, or less. (Ex. 4.1, p. 48). Again, we believe the evidence indicates the capitalization rate used in the appraisal to be too high, which would lower the value conclusion by the income approach.

Based on the foregoing reasons, we do not find the RERC appraisal reliable in establishing the January 1, 2015, market value of the subject property.

In its protest to the Board of Review, MVS asserted it owned a rail spur, which it was assessed for and has since been removed. Remien testified that MVS paid for the spur when it first went in. However, it does not appear the subject assessment ever valued this element. We also note that the appraisal did not appear to identify and value the rail spur.

Based on the record and testimony, it appears Burlington Northern Railroad actually owned the spur and removed it in 2014. Because it was never part of the assessment, we need not address this issue. Regardless of the ownership, we recognize that in the context of this real estate, access to a rail spur may enhance the utility and market value of the property. Nonetheless, MVS has not presented reliable evidence showing the property's value before and after the spur's removal and thus we are unable to judge the impact, if any, the removal should have on the assessment.

On its appeal to PAAB, MVS stated that a local real estate company, United Real Estate Solutions, asserts industrial real estate in Sioux City has increased between 0 to 10%, since 2013. (PAAB Appeal). Therefore, MVS believes the highest market value the subject property could have been in 2015, is \$1,320,000. It arrived at this opinion

by increasing the 2013 RERC appraisal by 10%. Unfortunately, there is no evidence submitted that would explain how United Real Estate Solutions arrived at its opinion.

Lastly, MVS submitted a neighboring property located at 801 Division Street. (Ex. 1). It asserts this property is similar to it, but has a lower 2015 assessment of \$1,620,100. We note that the properties' assessments are separated by about \$10,000, a minimal amount given the properties' assessments. Remien believes this property has more equipment and the business is larger and has more sales than MVS. He also notes the assessed value PSF of 801 Division Street is less than the subject, which he believes show's inequity.

First, we recognize MVS' argument on this issue is akin to an equity claim, which is not properly before PAAB. § 441.37A(1)(b). Further, manufacturing equipment is generally not assessable, nor should the Assessor be valuing the business operations. §§ 427A.1(1)(e), 427B.17(3), 441.21(2). In addition, with a greater amount of GBA, it is expected that 801 Division Street's PSF valuation would be less than the subject's.

Sioux County Assessor Al Jordan testified for the Board of Review. For similar reasons identified by PAAB, Jordan was critical of the RERC appraisal. He also asserts the capitalization rate of 11% is not applicable to a 2015 market value; he believes 9% is more appropriate.

In Jordan's opinion, since 2013 there has been an increase in the market conditions for industrial and commercial properties in Sioux City due to the addition of a two-billion dollar nitrogen plant and a two-hundred-and-fifty-million dollar pork plant. MVS was critical of Jordan for coming to this conclusion, because these industries are not related to the metal fabrication industry of which MVS is a part. We understand Jordan's testimony to indicate that he considers the overall economic conditions of the area to be improving, including the industrial real estate market. He is not attempting to value a specific industry or business.

PAAB questioned Jordan how it was determined an across the board adjustment was required for industrial properties. Jordan explained that it was fundamentally based on a sales ratio study completed for the 2015 assessment that included all classifications; and that the trends for all classifications appeared to be consistent. He

testified that he relied on two industrial sales that he considered in his overall analysis and support for his conclusions that the industrial market has seen an increase in values. At PAAB's request, he submitted the property record cards for the properties he referenced in his testimony.

The first property, located at 2101 Murray Street, sold in October 2015 for \$1,800,000. (Ex. A). It previously sold in May 2012 for \$2,083,000. According to the notes on the property record card, the property appears to have been owned by the City of Sioux City prior to the October 2015 sale. Ultimately, there is insufficient information to determine this property's comparability to the subject and the sale is unadjusted. The second property, located at 2501 Murray Street, last sold in August 2010 for \$1,050,000. (Ex. B). It appears Jordan's analysis is that the increased sale prices of the two properties between 2010 and 2015, supports his opinion the industrial market is appreciating. Without a more complete analysis between these sales, we are unable to reach the same conclusion.

### **Conclusions of Law**

PAAB has jurisdiction of this matter under Iowa Code sections 421.1A and 441.37A (2015). 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). 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 County Bd. of Review*, 393 N.W.2d 148, 151 (Iowa 1986).

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 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)(1)(b), the taxpayer must show: 1) the assessment is excessive and 2) the subject property's correct value. *Boekeloo v. Bd. of Review of the City of Clinton*, 529 N.W.2d 275, 277 (Iowa 1995). MVS submitted the RERC appraisal, with an effective date of November 2013, (Exs. 4.1 & 4.2) to support its opinion the subject property is over assessed. For the reasons stated in the Findings of Fact, we find the appraisal is not a reliable indicator of the subject's fair market value as of January 1, 2015.

MVS also relied on the opinion of a local real estate company that the industrial market in Sioux City has seen increases from 0-10% from 2013 to 2015. Based on this opinion, MVS asserts the highest value the subject property could have in 2015 is \$1,320,000. There is no indication of how the real estate company arrived at its conclusions. Further, the \$1,320,000 figure MVS proffers is based on an appraisal that we already concluded was not reliable. We add that the subject's assessment increased from \$1,505,700 to \$1,631,600 from 2013 to 2015, which is less than a 10% increase.

Lastly, Remien consistently testified to his opinion that the Assessor did not adequately consider the economic circumstances of MVS' industry in setting the subject's assessment. His testimony seemed to suggest his belief that MVS experienced no benefit in the form of increased revenues from other industrial and manufacturing projects in the surrounding area. Section 441.21(2) states that assessment should not consider the goodwill or value of a business which uses the

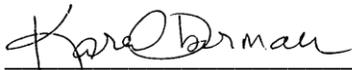
property. With that mind, assessors are directed to value real estate and not the businesses that occupy the real estate. Accordingly, we find no merit to MVS' claim.

Based on the foregoing, we find MVS has not provided sufficient evidence to support the assertion the subject property is over assessed.

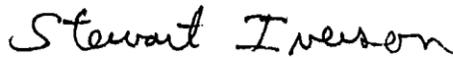
### **Order**

IT IS THEREFORE ORDERED that the Sioux City Board of Review's action 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.



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Karen Oberman, Presiding Officer



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Stewart Iverson, Board Chair

Copies to:

Jeff Remien

Jack Faith