

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

PAAB Docket No. 2015-101-00114I

Parcel No. 14163-01005-00000

International Paper Company

Appellant,

vs.

City of Cedar Rapids Board of Review,

Appellee.

Introduction

This appeal came on for hearing before the Property Assessment Appeal Board (PAAB) on November 9, 2016. Attorney Richard Davidson represented International Paper Company. Assistant City Attorney Patricia Kropf represented the City of Cedar Rapids Board of Review.

The subject property is an industrial manufacturing facility located at 950 Shaver Road NE, Cedar Rapids. The property's January 1, 2015 assessment was set at \$3,916,200, allocated as \$635,600 in land value and \$3,280,600 in improvement value.

International Paper protested to the Board of Review claiming the property was assessed for more than the value authorized by law under Iowa Code section 441.37(1)(a)(1)(b). The Board of Review denied the petition. International Paper re-asserts its claim to PAAB claiming the correct fair market value is \$3,000,000. (Appellant Brief).

General Principles of Assessment 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 assessed for taxation purposes following Iowa Code section 441.21. Iowa Code subsections 441.21(1)(a) and (1)(b) require property subject to taxation to be assessed at its actual value, or fair market value. *Soifer v. Floyd County Bd. of Review*, 759 N.W.2d 775, 778 (Iowa 2009).

“Market value” is defined as the fair and reasonable exchange in the year in which the property is listed and valued between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and each being familiar with all the facts relating to the particular property.

§ 441.21(1)(b). In determining market value, “[s]ales prices of the property or comparable property in normal transactions reflecting market value, and the probable availability or unavailability of persons interested in purchasing the property, shall be taken into consideration.” *Id.* Using the sales price of the property, or sales of comparable properties, is the preferred method of valuing real property in Iowa. *Id.*; *Compiano*, 771 N.W.2d at 398; *Soifer*, 759 N.W.2d at 779; *Heritage Cablevision v. Bd. of Review of Mason City*, 457 N.W.2d 594, 597 (Iowa 1990). “[A]bnormal transactions not reflecting market value shall not be taken into account or shall be adjusted to eliminate the effect of factors which distort market value.” § 441.21(1)(b). Abnormal transactions include, but are not limited to, foreclosure or other forced sales, contract sales, or discounted purchase transactions. *Id.*

Similar does not mean identical and properties may be considered similar even if they possess various points of difference. *Id.* (other citations omitted). “Factors that bear on the competency of evidence of other sales include, with respect to the property,

its '[s]ize, use, location and character,' and, with respect to the sale, its nature and timing. *Id.* (other citations omitted). Admitted sales must be adjusted "to account for differences between the comparable property and the assessed property to the extent any differences would distort the market value of the assessed property in the absence of such adjustments. *Id.* (other citations omitted).

Findings of Fact

International Paper's property is an 11.28 acre triangular-shaped parcel. A one-story 277,664 square feet cardboard packaging plant was built in 1949, with additions occurring between 1951 and 1994. A 39,921 square foot one-story warehouse is also located on the site. The total gross building area (GBA) is 317,585 square feet. International Paper purchased the subject property as part of an acquisition from the Weyerhaeuser Company in July 2008 for an allocated value of \$3,882,912. (Ex. A; Ex. B, p. 19; Ex. 1, p. 13).

The parties submitted two appraisals into evidence; both appraisers are qualified to appraise the property and testified at hearing. International Paper's appraisal was completed by Kevin Pollard, International Appraisal Company, Upper Saddle, New Jersey. (Ex. 1). The Board of Review's appraisal was completed by Kenneth Voss, Kenneth Voss and Associates, Atlanta, Georgia. (Ex. B).

Both appraisers acknowledged the subject property is in a flood zone. Billy Lefebure is the maintenance manager for the subject property. He testified that during the 2008 flood, the water in the plant reached between 36 to 42 inches in the production area of the facility. He reports there was damage to the production machines as a result. In 2016, there was no water in the plant; however, the plant was evacuated with some machinery and equipment removed as a precaution.

Both appraisers completed the sales comparison and income approaches to value; Voss also developed the cost approach. The following table summarizes the appraisers' approaches to value and their respective conclusions.

Appraiser	Sales Approach	Income Approach	Cost Approach	Final Opinion of Value
Pollard	\$3,000,000	\$2,950,000	Not Developed	\$3,000,000
Voss	\$4,446,000	\$4,434,000	\$4,628,000	\$4,440,000

Pollard gave all consideration to the sales comparison approach, asserting it alone can readily establish the market value. Voss gave both the sales and income approach to value consideration in his final opinion. Both parties agreed the subject property's market value can be readily established by the sales comparison approach alone. (Appellant Brf. p. 3-4; BOR Brf. p. 1). In this case, PAAB agrees. Therefore we do not find it necessary to recite or analyze the conclusions of the income or cost approaches in the record.

Pollard Appraisal

Pollard testified the subject's triangular-shaped site restricts its utility. In his opinion, the site has limited material storage, employee and truck parking, plus the truck flow is not ideal. Pollard was unaware of any on-site employee parking.

Pollard selected four properties for his sales comparison approach. (Ex. 1, p. 27-30). Pollard testified he reviewed his office database and consulted with other appraisal offices when researching comparable sales. His search focused on industrial sales in Iowa with similar size, age, and location. The following table is a summary of the sales.

Comparable	Sale Date	Sale Price	Building Size (SF)	SP/SF	Adjusted SP/SF
1 - Xingman Intl, Hampton	Oct-14	\$1,400,000	136,810	\$10.23	\$9.79
2 - MG Holdings, Inc, Mason City	Jul-14	\$1,900,000	237,384	\$8.00	\$9.52
3 - HNI Technologies, Inc, Muscatine	Jul-13	\$2,630,000	180,600	\$14.56	\$10.35
4 - Petersen Properties, LC, Eldridge	Jun-12	\$2,500,000	321,933	\$7.77	\$9.40

All of the sales were fee-simple transactions.

All of the sales are inferior to the subject's location and required upward adjustments between 5% and 15%. The subject is located in a high flood risk area (Zone AE). (Ex. 1, p. 44). Pollard reports the subject property flooded in 2008. He asserts he took this into consideration in the determination of his location adjustments, noting higher upward adjustments would have been required if the flood plain not been considered.

Additionally, all of the sales were steel construction, and therefore, inferior to the subject's concrete block design. Pollard applied an across the board upward 10% adjustment for this difference.

Sale 1 was previously a Winnebago Industries assembly plant. It is a newer plant than the subject, built 1982 with expansions in 2000 and 2005. (Ex. 1, p. 28 & 57). It was adjusted for inferior quality, condition, and lower percentage of office finish, as well as its superior building size, age, and land-to-building ratio. Pollard stated the buyer intended to occupy the property and use it for manufacturing.

Sale 2 was purchased by MG Holdings, Inc. and is a manufacturing and distribution center. Pollard explained the business and real estate were both purchased in separately negotiated transactions. (Ex. 1, p. 28 & 58). The use of the property was the same before and after the sale. Similar to Sale 1, this property was adjusted upward for condition and office finish, but downward for building size, age, and land-to-building ratio.

Sale 3 was previously a plastic products packaging plant built in 1983 with significant expansion in 1993. (Ex. 1, p. 30 & 59). Pollard testified the property was purchased by Hon Industries with the intention to do light manufacturing. Other than location and percent-of-office finish, this sale was superior to the subject and adjusted downward for all other elements of comparison.

Sale 4 was a major printing plant for RR Donnelly & Sons, which it vacated prior to the sale. The purchaser's intent was to convert the property to a multi-tenant warehouse. (Ex. 1, p. 30 & 60). It is the most similar in size to the subject property.

Pollard's adjusted value ranged between \$9.40 and \$10.35 per-square-foot, with three of the sales indicating the top end of the range at \$9.79 per-square-foot. Pollard concludes an opinion of \$3,000,000; or roughly \$9.52 per-square-foot, as of January 1, 2015.

Pollard asserts the market value of the subject property can be readily established by the sales comparison approach, so he gave it all consideration. His final opinion of value as of January 1, 2015, is \$3,000,000.

Voss Appraisal

Voss considers the highest and best use of the subject property, as improved, is for its continued use as a manufacturing and warehouse facility. (Ex. B, p. 24).

Voss considered the date of sale, zoning, size of the improvements, and use of the property in selecting comparable sales for his sales comparison approach. After research, he relied on four comparable sales, which are summarized in the following table.

Comparable	Sale Date	Sale Price	Site Size (Acres)	Building Size (SF)	SP/SF	Adjusted SP/SF
1 - Johnston	Nov-14	\$9,250,000	25.790	363,736	\$25.43	\$13.99
2 - Des Moines	Nov-14	\$8,838,000	18.450	185,959	\$47.53	\$22.57
3 - Ames	Sep-14	\$14,282,494	16.050	251,138	\$56.87	\$22.75
4 - Des Moines	Apr-14	\$4,120,000	8.376	152,998	\$26.93	\$14.81

All of the sales continued to be used as industrial/manufacturing and warehouse/distribution facilities by the buyers. All of the sales were adjusted downward 10% for superior location; downward 20% for not being located in a flood zone; and downward 5% for having superior land-to-building ratios. Moreover, the sales were adjusted downward between 5-10% for superior age. Additionally, Sales 1, 2, and 3 were considered superior in condition and adjusted downward between 5-10%. Voss did not submit any sales that were inferior to the subject property. Overall, his sales required total downward adjustments between 45-60%.

International Paper was critical of Voss because all of his comparables were single-structure properties compared to the subject property having two separate buildings, and because he failed to make an adjustment for this fact. However, PAAB notes Pollard also relied on four sales of single-structure properties. Like Voss, Pollard made no adjustments for this fact.

Voss' adjusted values ranged from \$13.99 to \$22.75, with a median of \$18.69 and a mean of \$18.53. Voss acknowledged the percentage of adjustments was not ideal, but because of the subject's irregular shaped site and location in a flood zone, he believes the adjusted sales are reflective of the characteristics of the subject property. Voss selected \$14 per-square-foot; or \$4,446,000 (rounded). (Ex. B, p. 45).

Voss gave consideration to the sales comparison and income approaches to value, which were complimentary. His final opinion of value as of January 1, 2015, is \$4,440,000.

Conclusions of Law

International Paper asserts its property is assessed for more than authorized by law under section 441.37(1)(a)(1)(b). 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).

International Paper submitted the Pollard appraisal, which concluded a January 1, 2015 value of \$3,000,000. The Board of Review submitted the Voss appraisal, which concluded an opinion of market value of \$4,440,000. Both appraisers developed the sales comparison and income approaches to value; Voss also developed the cost approach. Both appraisers gave all or most weight to the sales comparison approach. In this case, since the parties agree the subject property can be readily valued by the sales comparison approach alone, we give it all consideration.

Both appraisers submitted four sales for consideration and adjusted them for differences compared to the subject. While Pollard's sales were all inferior in location, ultimately he considered sales that possessed other features both superior and inferior to the subject property. We cannot say the same of Voss' sales. All of Voss' sales were superior, requiring downward adjustments totaling between 45-60%. Typical appraisal practice recognizes the importance of bracketing the subject property with superior and inferior comparable properties.

Reliable results can usually be obtained by bracketing the subject property between comparable properties that are superior and inferior to it. If the comparable properties are either all superior or all inferior, however, only an upper or lower limit of values is set and no range of possible values for the subject property can be defined.

APPRAISAL INSTITUTE, *THE APPRAISAL OF REAL ESTATE* 404 (14th ed. 2013). For this reason, we give most reliance to Pollard's sales comparison approach.

Considering the foregoing evidence and having weighed the relative strengths and weaknesses of the appraisals, PAAB gives the most consideration (75%) to Pollard's sales comparison approach and additional consideration (25%) to Voss' sales comparison approach to value and find a reasonable, fair estimate of the subject's market value is \$3,361,500.

	Sales Comparison Approach Conclusion	Weight Assigned	Extension
Pollard	\$3,000,000	0.75	\$2,250,000
Voss	\$4,446,000	0.25	\$1,111,500
		Conclusion	\$3,361,500

Order

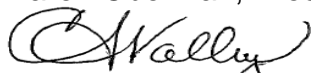
IT IS THEREFORE ORDERED that the City of Cedar Rapids Board of Review's action be modified to \$3,361,500. PAAB ORDERS the City of Cedar Rapids Assessor and Linn County Auditor shall correct their assessment records to comply with this Order.

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.

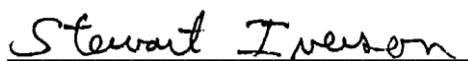
Any judicial action challenging this Order shall be filed in the district court where the property is located within 20 days of the date of this Order and comply with the requirements of Iowa Code sections 441.38; 441.38B, 441.39; and Chapter 17A.



Karen Oberman, Presiding Officer



Camille Valley, Board Member



Stewart Iverson, Board Chair

Copies to:

Patricia Kropf by eFile

Richard Davidson by eFile

Linn County Auditor

930 1st Street SW

Cedar Rapids, IA 52404