

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

PAAB Docket No. 2016-007-00016R

Parcel No. 8914-24-276-003

Krysten Reid,
Appellant,

vs.

Black Hawk County Board of Review
Appellee.

Introduction

This appeal came on for hearing before the Property Assessment Appeal Board (PAAB) on December 13, 2016. Krysten Reid was self-represented. Attorney David Mason represented the Black Hawk County Board of Review.

Krysten and Daniel Reid own a residential property locally known as 505 Utah Road, Cedar Falls, Iowa. Built in 1958, the one-story frame home is situated on a 0.491 acre lot. (Ex. A).

The property's January 1, 2016 assessed value was set at \$239,620, allocated as \$32,660 in land value and \$206,960 in dwelling value. (Ex. A). On protest to the Black Hawk County Board of Review, Reid claimed her property was inequitably assessed, assessed for more than authorized by law, there was an error in the assessment, and the property has suffered a downward change in value. Iowa Code § 441.37(1). Reid's assessed value had not changed from 2015 so she was limited to a claim of downward change in value under Iowa Code section 441.37(1)(a)(2). The Board of Review denied the petition. Reid re-asserts her claim to PAAB and contends the subject property's correct total value is \$205,000.

General Principles of Assessment Law

PAAB has jurisdiction of this matter under Iowa Code sections 421.1A and 441.37A (2016). 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 "is defined as the fair and reasonable exchange 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." *Id.* Sale prices of the property or comparable properties in normal transactions are to be considered in arriving at market value. *Id.* Conversely, sale prices of abnormal transactions not reflecting market value shall not be taken into account, or shall be adjusted to eliminate the factors that distort market value, including but not limited to foreclosure or other forced sales. *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).

Findings of Fact

The subject property is located in an established Cedar Falls neighborhood. The subject site is 0.491 acres. Built in 1958, with an addition in 1972, the one-story frame

dwelling has 1822 square feet gross living area (GLA), a two-car attached garage, a full basement with 750 square feet of average finish, porch/patio areas, and a shed.

Krysten Reid testified she and her husband purchased the subject property in 2016, closing in March. (Ex. 4). She noted the roof, siding and furnace had recently been replaced and the home was well maintained. The quality of the materials on the inside (e.g., light fixtures, wallpaper, window treatments) are quite high, but she contends they are very dated.

Reid asserts there are four pieces of information that establish the subject property's 2016 value. First, Reid offered four comparable sales of ranch-style homes like the subject. (Ex. 1) She contends they are all similarly priced properties located in residential neighborhoods with a close proximity to schools like the subject. She also noted these sales all closed around the same time as her purchase, arguing they were all subject to the same market conditions. The following table provides details about the subject property and Reid's comparables.

| Address | Assessed Value | Sale Price | Sale Date | Days on the Market | Acres | Year Built | Gross Living Area | Basement Finish | Baths |
|----------------------|----------------|------------|-----------|--------------------|-------|------------|-------------------|-----------------|-------|
| SP--505 Utah Road | \$239,620 | \$205,000 | Mar-16 | 149 | 0.491 | 1958 | 1822 | 750 | 1.75 |
| 1--2023 Maplewood Dr | \$186,940 | \$170,500 | Apr-16 | 84 | 0.498 | 1955 | 1280 | None | 1.75 |
| 2--210 Magnolia Dr | \$169,700 | \$189,900 | Feb-16 | 3 | 0.211 | 1968 | 1412 | 1000 | 3 |
| 3--2208 Oxford Ln | \$200,210 | \$203,000 | Mar-16 | 3 | 0.190 | 1981 | 1470 | 853 | 2 |
| 4--1110 W 12th St | \$172,070 | \$209,500 | Apr-16 | 1 | 0.200 | 1956 | 1336 | 1000 | 2.5 |

Reid testified that all of these properties had significant updates, while the subject did not. She contends this is why her property was on the market so much longer than the comparable properties. Reid testified the sellers had built the home to suit their needs and most likely never felt a need to update it. However, she purchased the property for its size and potential for a growing family and knew it would require a lot of work to update the interior, which is why their initial offer was \$195,000.

Reid argues the four comparables are similar to her property yet have lower assessments. She pointed out: Comparable 1 has the same number of baths, a similar lot size, smaller GLA but larger garage; Comparable 2 has a similar interior, a smaller lot but an additional bath; Comparable 3 has a similar interior but the bath and the

kitchen have been updated; and Comparable 4 is smaller but it has more baths, larger garage and has some updates.

We also note the subject property has the largest gross living area and the most basement finish as compared with Reid’s four comparable properties, albeit maybe not with the same quality of finish like the others as Reid contends.

Reid did point out some of the differences between the subject property and the comparable properties. However, she did not make adjustments to each comparable property’s sale price in order to account for differences between it and the subject property to arrive at a range of market value for the subject property.

Next, Reid discussed an appraisal completed by Jason Raisty, which was completed for mortgage financing. Raisty opined a market value of \$205,000, as of February 2016. He relied solely on the sales comparison approach. (Ex. 2). Reid testified that Raisty’s opinion of value matches the price they, as buyers, and the sellers had agreed upon in an arm’s length transaction. She argues Raisty’s opinion of value is more reliable than the mass appraisal method used by the Assessor.

The Raisty appraisal considered five recent sales. The following table provides details about the subject property and Raisty’s comparables.

| Address | Sale Price | Adjusted Sale Price | Sale Date | Acres | Actual Age | Gross Living Area | Basement Finish | Garage |
|-----------------------|------------|---------------------|-----------|-------|------------|-------------------|-----------------|---------------|
| SP--505 Utah Road | \$205,000 | N/A | Mar-16 | 0.491 | 58 | 1822 | 750 | 2-Att |
| 1--3206 Tucson Dr | \$200,000 | \$211,410 | Jul-15 | 0.432 | 50 | 1296 | 650 | 2-Att |
| 2--1808 Maplewood Dr | \$165,000 | \$198,410 | Feb-15 | 0.482 | 61 | 1496 | 610 | 1-Att |
| 3--1818 Four Winds Dr | \$218,000 | \$204,700 | Aug-15 | 0.568 | 56 | 1916 | 0 | 2-Att & 2-Det |
| 4--3100 Shady Ln | \$217,000 | \$214,895 | Jun-15 | 0.400 | 49 | 1936 | 464 | 2-Att |
| 5--3716 Briarwood Dr | \$195,000 | \$205,880 | Dec-15 | 0.206 | 39 | 1436 | 471 | 2-Att |

All of Raisty’s comparables are ranch-style homes like the subject, except Comparable 5 is a split-foyer. Comparable 2 has two fireplaces, while the subject has only one. It also has only a one-car attached garage and is of a lower quality of construction than the subject. Comparable 3 is the only one without basement finish, but it has a two-car detached garage in addition to a two-car attached garage.

Raisty’s adjusted sale prices, based on the comparable properties, which ranged from \$198,410 to \$214,895, with a median value of \$205,880. Raisty gave most

consideration to Sale 1, which he believes is the most similar to the subject. (Ex. 2, Addendum, p. 2).

Reid testified that the amount of work needed on the subject supports the contention it is over assessed. She discussed photos they offered into evidence, which demonstrate a need for renovation and updating. (Ex. 3). She pointed to old asbestos flooring in a bath that needs to be removed, a shower that needs to be added in the main bath, and a basement shower that needs renovating because it is small and the tiles are worn and coming loose. Reid also testified that the kitchen is small by current standards and the cupboards are not standard height requiring replacements to be custom-built when it is renovated. She further noted the window treatments, wall coverings and carpet are worn and outdated. Reid also pointed to the need for a secondary egress so the basement area may be used for something beyond storage.

Finally, Reid argues the price they paid for the property in 2016 is evidence of its actual 2016 market value. (Ex. 4) She contends it was a fair and reasonable exchange between a willing buyer and a willing seller neither under any compulsion to buy or sell.

Moving on to the subject's January 1, 2015 value, Reid argued she was not the owner at that time so the only information available to her is information in the public domain (e.g., tax information, the listing history and actions of the previous owners). Reid offered two pieces of evidence she felt supports the subject's 2015 value. The first is a Zillow listing for the subject property. (Ex. 5). She noted the original list price in September 2015 was \$229,500, which she contends meant that is what the previous owners believed it was worth. The price was subsequently lowered to \$225,000, which Reid contends was the homeowner's final opinion of valuation for 2015.

Reid contends the other piece of evidence in support of the subject's 2015 value is the value determined under the mass appraisal method. She asserts it is required by the Iowa Code to reflect the actual value of the property.

Reid testified it is unclear whether the previous homeowners did not understand the value of the subject or if there was a downward change in value. She noted the prior owners did not protest the 2015 assessed value of \$239,620, even though it was almost \$28,000 higher than the 2014 assessed value, particularly given no updates or

improvements had been made. Reid contends this means they felt the assessed value was a fair representation of its market value.

Reid further argues the 2015 market value has to be somewhere between the assessed value and the homeowner's last 2015 listing price of \$225,000.

T.J. Koenigsfeld, the Black Hawk County Assessor, explained that an assessment/sales ratio analysis was conducted prior to the 2015 assessment and it revealed residentially classified properties were assessed at 93% of market value. The Board of Review submitted a table of eighteen sales within the same map area/neighborhood as the subject, which was used in this analysis. (Ex. C).

Subsequently, a revaluation of residential properties was performed for the 2015 assessment, with the subject's neighborhood seeing an increase of roughly 15%. (Ex. B). Thereafter, the median sale ratio was 96%, which falls within the required guidelines. § 441.47 (indicating the aggregate value of a property class should be within five percent of the actual value of the class as determined by the department of revenue).

Koenigsfeld also notes the subject is one of the larger homes in the neighborhood. (Ex. B). He further notes the subject property's March 2016 sale is considered a normal arm's length transaction, and the \$205,000 sale will be taken into consideration when setting the January 1, 2017 residential revaluations. (Ex. B).

Lastly, Koenigsfeld was critical of the appraisal because Sale 1, which is the only comparable located in the subject's map area or neighborhood, has the same condition rating (C3) as the subject but was adjusted downward by \$10,000. The appraisal was completed for mortgage financing and was subject to Fannie Mae guidelines. Fannie Mae requires the appraiser to determine a quality/condition rating for each property analyzed and "must be based on a holistic view of the property and any improvements." Fannie Mae guidelines further note that "properties can have the same rating or description and still require an adjustment." FANNIE MAE, SELLING GUIDE § B4-1.3-06, available at <https://www.fanniemae.com/content/guide/selling/b4/1.3/06.html> (last visited Feb. 3, 2017). Based on these guidelines, the appraiser's adjustment may have been appropriate.

Conclusions of Law

In a non-reassessment or “interim” year, when the assessed value of the property has not changed, a taxpayer may challenge the current assessment on the basis that there has been a decrease in the value of the subject property from the previous reassessment year. § 441.37(1)(a)(2); *Eagle Food Ctrs., Inc. v. Bd. Of Review of the City of Davenport*, 497 N.W. 2d 860, 862 (Iowa 1993). To prevail on this claim, the taxpayer must “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 from the previous reassessment year.” § 441.37(1)(a)(2).

Iowa Code section 441.37(1)(a)(2) and its reference to section 441.35(2) give rise to the claim of decrease in value. For a taxpayer to be successful in a claim of downward change in value, the taxpayer must show change in value from one year to the next; comparing the beginning and final valuation. *Equitable Life Ins. Co. of Iowa v. Bd. of Review of the City of Des Moines*, 252 N.W. 2d 449, 450 (Iowa 1997). The assessed value cannot be used for this purpose. *Id.* 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.

Based on the foregoing, Reid must establish the subject property’s actual fair market value as of January 1, 2015, and as of January 1, 2016, demonstrating a decrease in value in order to prevail in her claim.

Although we find Reid provided substantial evidence to support the January 1, 2016 value, we find Reid’s evidence of the subject’s January 1, 2015 value lacking. On the one hand Reid contends the assessed value should be used because the Iowa Code requires the mass appraisal method to determine the property’s actual value. As stated above, however, the *Equitable* Court held that the assessed value cannot be used for establishing the property’s beginning actual fair market value. Moreover, we generally are not to presume the assessed valuation is correct. § 441.37A(3); *Milroy v. Bd. of Review of Benton Cnty.*, 226 N.W.2d 814, 817 (Iowa 1975).

On the other hand Reid argued the prior homeowners alone could determine the property’s true January 1, 2015 value because they were supposedly privy to information not available in the public record, they must have felt the 2015 assessed

value was accurate given they did not protest its increase, and they set the price when listing the subject property for sale. In our view, this argument requires untenable speculation about the seller's knowledge and motives. In addition, these actions alone are not enough to determine the fair market value.

Reid may have been able to prove her claim had she introduced evidence sufficient to establish the subject's January 1, 2015 value, for example with a competent fee simple appraisal or sales of comparable properties with adjustments for differences between each of them and the subject property. In the absence of reliable evidence establishing the January 1, 2015 valuation, we find Reid has not shown the subject property suffered a downward change in value.

The Assessor did note the subject's \$205,000 sale price is recognized as an arms-length transaction and will be taken into consideration when setting the January 1, 2017 assessments. Given the sale and the other evidence in the record, it is reasonable to conclude the subject is currently assessed in excess of the property's fair market value. However, this was not a claim available to Reid for the 2016 assessment, but it is a claim that may be raised if the same issue exists with the January 1, 2017 assessment.

Order

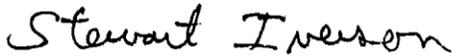
IT IS THEREFORE ORDERED that the Black Hawk County Board of Review's action is affirmed.

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.



Camille Valley, Presiding Officer



Stewart Iverson, Board Chair



Karen Oberman, Board Member

Copies to:

Krysten Reid by eFile

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