

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

PAAB Docket No. 2017-101-00400R

Parcel No. 14181-51048-00000

Jeffrey Drahozal,

Appellant,

vs.

City of Cedar Rapids Board of Review,

Appellee.

Introduction

The appeal came on for hearing before the Property Assessment Appeal Board (PAAB) on February 20, 2018. Jeffrey Drahozal was self-represented. Nick Mehm, an appraiser with the City of Cedar Rapids Assessors Office, represented the Board of Review.

Jeffrey and Deborah Drahozal own a residential property located 2523 Shawn Court NW, Cedar Rapids. The property's January 1, 2017 assessment was set at \$220,200, allocated as \$26,100 in land value and \$194,100 to improvement value. (Ex. L).

Drahozal petitioned the Board of Review claiming the assessment was not equitable as compared to the assessments of other like property, the property was assessed for more than the value authorized by law, and there was an error in the assessment under Iowa Code sections 441.37(1)(a)(1)(a, b, & d). The Board of Review denied the petition. Drahozal reasserted his claims to PAAB.

General Principles of Assessment Law

PAAB has jurisdiction of this matter under Iowa Code sections 421.1A and 441.37A (2017). 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.* 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 two-story home built in 1996. It has 1998 square feet of gross living area, 661 square feet of average living-quarter-quality basement finish, an open porch, a three-season porch, a patio, and a two-car attached garage. The site is 0.279 acres. (Ex. L).

Drahozal submitted seven properties he believes support his claims. (Exs. 1-7).

Comparable	Year Built	Gross Living Area (SF)	Basement Finish	Condition	Assessed Value
Subject	1996	1998	661 LQ	Normal	\$220,200
1 - 2502 Paulyn Ct NW	1978	2038	500 Avg	Above Normal	\$191,000
2 - 2526 Shawn Ct NW	1994	2084	No Finish	Normal	\$202,800
3 - 2508 Shawn Ct NW	1995	1919	No Finish	Normal	\$206,100
4 - 2529 Shawn Ct NW	1997	2190	240 Avg	Normal	\$228,200
5 - 2523 Zika Ave NW	1900	1847	698 Avg	Very Good	\$166,900
6 - 1615 Hamer Dr NW	1992	1910	No Finish	Normal	\$179,300
7 - 1700 Hamer Dr NW	1994	1890	574 Avg/ WO	Normal	\$186,700

Drahozal testified these comparable properties saw nominal increases of less than 1% and several saw decreases since 2012, whereas his property has increased 5% since that time.

Comparable 1 and 5 are older homes in superior condition to the subject property. We do not find these properties comparable to the subject.

Drahozal's remaining properties were built in the 1990s, have similar overall gross living area, and are all listed in normal condition like the subject. We give no consideration to the three properties with no basement finish. The difference in basement finish, among other things, contributes to the difference in the assessments of the properties.

The remaining properties, Comparables 4 and 7, offer the most similarity to the subject. Nonetheless, there are differences between them and the subject which explain the variation in assessments. Although Comparable 4 has less basement finish than the subject, it also has more gross living area and, like the subject, a three-season porch. Accordingly, it has the highest assessed value of the comparables, exceeding that of the subject. Comparable 7 has slightly less gross living area, a smaller garage, and less basement finish of lower quality than the subject; as well as lacking a three-season porch. These differences explain the subject's higher assessed value.

Comparable 3 is also the only property that recently sold. It sold in October 2016 for \$208,167. The sale is coded as a normal transaction (D0). (Ex. 3). Its sale price was

slightly higher than its assessment resulting in an assessed value to sales price ratio of 0.99. A ratio less than 1.00 indicates a property is assessed for less than its market value. This sale was not adjusted for any differences between it and the subject property to arrive at an opinion of value for the subject as of January 1, 2017.

Drahozal stated Comparable 7 is located roughly half a mile from his property and believes it is the most similar. However, we previously noted differences between it and the subject would contribute to Comparable 7's lower assessment.

Drahozal also testified about a recent sale on his street (2532 Shawn Court NW) that sold in November 2017 for \$186,000 but is now assessed for \$204,000. There is no information in the record about this property and PAAB is unable to verify its assessed value; the sale price and if it was a normal transaction; or to determine its comparability to the subject property.

The Board of Review submitted four equity comparables. (Exs. E & F). All of the properties were built in the 1990s, have similar gross living area, and are in normal condition like the subject. The assessed values range from \$210,800 to \$228,200, with assessed values per square foot ranging from \$102.62 to \$113.13. Because the subject's assessed value (\$200,200) and assessed value per square foot (\$110.21) fall within this range, the Board of Review believes the subject is equitably assessed. Only one of these properties, 4024 M Ave NW, appears to have recently sold. It sold for \$224,000 in September 2016 and is currently assessed for \$210,800; indicating an assessment to sales ratio of 0.94.

The Board of Review also submitted four market comparables. (Ex. H & G). These properties were adjusted for differences between them and the subject resulting in an adjusted range of value between \$221,000 and \$233,000.

Drahozal was critical of the Board of Reviews equity and market comparables because several had lower map factor adjustments resulting in lower assessments compared to his property. We note that Comparables 2, 3, and 4 are located some distance from the subject, whereas Comparable 1 (2529 Shawn Ct NW) is located nearest the subject and received the same map factor adjustment. (Ex. E, F).

Mehmem testified that the Assessor's Office made changes to the residential manual level, depreciation table, and basement finish pricing for the 2017 assessment. In addition, it conducted a sale ratio study for each residential map area that would have affected each parcel differently based on its year built, location, and amount of basement finish. He also indicated the map factors are set per map area based on the median sales in the given area. Thus, if Drahozal's property is in a different map area than a comparable, they may have different map factors. It would appear from the certified record that properties on Shawn Court (2508, 2529, 2523, and 2526) have the same map factor (0.92) as the subject property. No evidence in the record delineates the boundaries of these map areas.

The Board of Review noted the subject property was inspected in September 2017 and corrections were made to the property's listing for amount and quality of basement finish, and bathroom pricing. After correcting for these errors, the Board of Review noted the correct assessed value for the subject property should be \$217,000. (Ex. J-K).

Analysis & Conclusions of Law

Drahozal asserts his property is inequitably assessed, over assessed, and that there is an error in the assessment.

To prove inequity, a taxpayer may show that an assessor did not apply an assessing method uniformly to similarly situated or comparable properties. *Eagle Food Centers v. Bd. of Review of the City of Davenport*, 497 N.W.2d 860, 865 (Iowa 1993).

Drahozal questioned the use of map factors in his assessment. Mehmem indicated map factors are established by map area based on sales within the given area. In essence, they are a location adjustment. The record suggests properties on Drahozal's street have the same map factor as his; properties in other map areas may have different map factors. Therefore, we find there is a lack of evidence showing the Assessor's map factor adjustment was applied in a non-uniform manner to similarly situated properties.

Alternatively, a taxpayer may show the property is assessed higher proportionately than other like property using criteria set forth in *Maxwell v. Shivers*, 257 Iowa 575, 133 N.W.2d 709 (Iowa 1965). The *Maxwell* test provides that inequity exists when, after considering the actual and assessed values of comparable properties, the subject property is assessed at a higher proportion of its actual value. Of all of the comparables Drahozal submitted, only one recently sold. This sale indicates an assessment/sales price ratio of 0.99, suggesting it is assessed very close to its market value. Because Drahozal's other properties did not recently sell, we cannot determine an assessment/sales ratio for them. Further, the *Maxwell* test also requires a showing of the subject property's actual market value, and Drahozal's over assessment claim requires the same showing.

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). Drahozal did not submit any evidence of the market value of his property as of January 1, 2017. To succeed in a claim of over assessment, the property's market value is typically demonstrated with a competent appraisal or a comparable market analysis considering, at minimum, the sales comparison approach to value.

Drahozal also contended there were errors in his assessment, but he did not specifically state what errors existed. Upon further examination, however, the Board of Review determined the subject property's assessment contained listing errors. Correcting the errors results in an assessed value of \$217,000. We find this to be the most persuasive evidence in the record of the subject's correct assessed value, and conclude the subject property is over assessed.

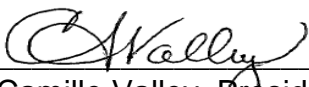
Order

PAAB HEREBY MODIFIES the City of Cedar Rapids Board of Review's action and orders the subject's January 1, 2017 assessed value be set at \$217,000.

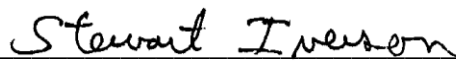
This Order shall be considered final agency action for the purposes of Iowa Code Chapter 17A (2017).

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:

Jeffrey Drahozal by eFile

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