

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

PAAB Docket No. 2018-025-00082M

Parcel No. 12-33-128-005

**Kathy Bradshaw (Westside Properties, LLC)**

Appellant,

vs.

**Dallas County Board of Review,**

Appellee.

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**Introduction**

The appeal came on for hearing before the Property Assessment Appeal Board (PAAB) on January 10, 2019. Kathy Bradshaw, owner of Westside Properties, LLC, was self-represented. Dallas County Deputy Assessor Brian Arnold represented the Board of Review.

Westside Properties, LLC owns a multi-residential property located at 240 5th Street, Waukee. The property's January 1, 2018 assessment was \$443,000, allocated as \$96,000 in land value and \$347,000 in improvement value. (Ex. A).

Bradshaw petitioned the Board of Review contending the subject property was not equitably assessed and that it was assessed for more than authorized by law. Iowa Code § 441.37(1)(a)(1 & 2) (2018). The Board of Review denied the petition.

Bradshaw then appealed to PAAB re-asserting her claims.

**General Principles of Assessment Law**

PAAB has jurisdiction of this matter under Iowa Code sections 421.1A and 441.37A. 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 may consider any grounds under Iowa Code section 441.37(1) properly raised by the appellant following the provisions of section 441.37A(1)(b) and Iowa Admin. Code Rule 701-71.126.2(2-4). PAAB 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(3)(a). 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. *Id.*; 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).

### **Findings of Fact**

The subject property is one of two parcels that comprise a town-house style apartment complex. (Exs. A, 7). The improvements consist of two, two-story buildings each with four units. Each unit has a patio and open porch. Both buildings were built in 1980 and have 3776 square feet of gross living area and 1888 square feet of unfinished basement. The property is also improved with 6800 square feet of concrete paving. (Ex. A). The subject parcel's site is 0.38 acres. (Ex. A). The adjoining parcel (12-33-128-004) is a 0.10 acre site with an assessed land value of \$7350. (Ex. 7). Although the two parcels operate as a unit, Bradshaw only appealed the larger parcel, which includes the assessed value of all of the complex's improvements.

Bradshaw testified that the improvements are physically situated on both parcels, as well as a vacated alley that lies between the parcels. (Ex. 6). Her aerial photograph of the parcels supports this. It appears one building is located on the subject parcel. But, the second building and all of the paving appear to be on the second, smaller parcel and vacated alley, which she did not appeal. (Ex. 6).

Bradshaw was critical about the increase in her assessment from 2017 to 2018. In particular she is concerned with the property's land value and pricing.

Bradshaw asserts her property is assessed higher than other Waukee properties. She testified that the subject property has many original components, including the mechanicals. In her opinion, the property is not updated but she has maintained it by replacing items, such as carpet, when needed. She believes other nearby rental properties are newer or have been updated and are therefore superior to her property.

In support of her position, Bradshaw submitted several properties she believes are similar to hers, comparing their assessments with hers. (Ex. 4). Two of the properties, located at 170 Evergreen Drive and 395 5th Street, are significantly larger than her property with 32 and 96 rental units respectively. (Exs. 10 & 5A). Additionally, the property located at 516 Walnut Street has a dual classification as commercial and multi-residential, and Bradshaw only reported a portion of the assessed value in her analysis. (Ex. 5A). Based on the foregoing, we do not find these three properties similar to the subject property and exclude them from consideration.

The following table summarizes Bradshaw’s remaining Waukee comparable properties. The spreadsheet Bradshaw offered had some reporting errors and those errors are corrected in our table. (Exs. 4, 5A, I-L, M-P). Although not listed on her spreadsheet, Bradshaw also identified 675 Ashworth as a comparable to her property, and we have included it in the table. (Ex. 8).

**Table 1**

Address	Class	Units	Building <sup>1</sup> Size (SF)	Site Size (SF)	Assessed Land Value	Assessed Building Value	Total Assessed Value	Total AV/Unit	Assessed Land Value/SF
Subject	M	8	7552	16,552	\$96,000	\$347,000	\$443,000	\$55,375	\$5.80
1 - 265 5th Street	R	4	4128	12,780	\$40,000	\$162,740	\$202,740	\$50,685	\$3.13
2 - 500 Laurel St	R	4	2856	10,000	\$25,000	\$143,020	\$168,020	\$42,005	\$2.50
3 - 530 Laurel St	R	4	2856	10,000	\$25,000	\$143,020	\$168,020	\$42,005	\$2.50
4 - 450 Laurel St	R	8	6432	21,300	\$56,000	\$225,770	\$281,770	\$35,221	\$2.63
5 - 660 2nd St	M	12	8928	31,760	\$144,000	\$431,190	\$575,190	\$47,933	\$4.53
6 - 700 Ashworth	M	4	3024	7,840	\$48,000	\$194,480	\$242,480	\$60,620	\$6.12
7 - 675 Ashworth	M	5	5078	23,000	\$60,000	\$328,350	\$388,350	\$77,670	\$2.60

<sup>1</sup> The reported building size for the subject includes both two-story buildings but does not include its 3776 square foot of combined unfinished basement. With the exception of 675 Ashworth, none of Bradshaw’s comparable properties have basements.

Bradshaw asserts her property should be assessed based on the average total assessment per unit. (Ex. 2). After correcting reporting errors and considering only the properties listed in Table 1, the remaining properties have an average total assessed value per unit of \$50,877; which would result in a total assessment of \$407,016 for Bradshaw's property using her analysis. But, Arnold explained that this analysis is flawed because it does not account for the subject property's unfinished basement, which contributes value. In his opinion, this explains why the subject's assessed value per unit is higher than most of the other Waukee properties.

Only two of the Waukee properties Bradshaw submitted have recently sold.

700 Ashworth sold in January 2017 for \$265,000, but Bradshaw reported this transaction was part of a 1031 Exchange. (Ex. P). Because this property sold as part of a 1031 Exchange, the sale price may not reflect its market value.

Additionally, 660 2nd Street sold in November 2017 for \$786,000. (Exs. M-O). This transaction was of three adjoining parcels that operate as a unit. This sale was not adjusted for differences that exist between it and the subject property to establish a market value for the subject property. The combined assessment of the three 660 2nd Street parcels is \$575,190, which results in an assessment/sale ratio of 0.73. A ratio less than 1.00 suggests a property is assessed for less than its market value.

Bradshaw also believes her land is inequitably assessed when compared to the other properties. The subject parcel's assessed land value increased by \$40,000, while its improvement value decreased by nearly \$30,000. She noted her land is assessed at \$5.80 per square foot and the other Waukee properties have assessed land values ranging from \$2.50 per square foot to \$6.12 per square foot, with an average of \$3.43 per square foot, as noted in Table 1.

Arnold testified that the land values for multi-residential properties were not calculated on a square-foot basis, but instead on a per-unit basis. The multi-residential properties in Table 1 were assessed at \$12,000 per apartment unit. The remaining properties are residential co-ops and classified residential, which Arnold believes may have been assessed on a front-foot basis. Because the properties were not valued on a

square-foot basis, Bradshaw's analysis is flawed. Additionally, her analysis compares different classifications of property that were calculated based on different rates.

Arnold admitted in his testimony that because the subject property comprises two separate parcels, the land has been over assessed. Applying the \$12,000-per-unit rate to the property should result in a total combined assessment of \$96,000 for the land for both parcels; instead, the combined assessment is \$103,350. We note, had the combined value of the property been determined and then allocated between the two parcels this problem would not have arisen.

Bradshaw was critical of the use of a per-unit basis asserting it is not allowed under the IOWA REAL PROPERTY APPRAISAL MANUAL (MANUAL). She cited the Manual which states "it is necessary to value land sites in a consistent manner" and that "[t]he square foot method is best used in areas with irregular shaped sites and where frontage is not a dominant factor in the determination of a site value." MANUAL 2-5. Arnold disagreed and explained the assessment is based on market actions. He believes that investors would consider the number of units that could be built when buying or selling vacant property.

Bradshaw also noted a discrepancy between assessed land values in other Dallas county communities. She reports that Adel, Perry, and Woodward Granger's site values range on average from \$2.21 per square foot to \$3.44 per square foot, which are all lower than the Waukee's average of \$3.57 per square foot. Additionally, she reported that Polk County's assessed land values average \$2.58 per square foot. (Ex. 2). She believes this demonstrates there is not uniformity in the assessments.

Arnold explained that Waukee apartments had been re-valued for 2018 because of an increase in the sale of these properties, which was higher than their assessed values. This would likely explain any variations that may exist between Waukee and the other Dallas County communities Bradshaw referenced.

Lastly, Bradshaw compared her property directly to 675 Ashworth Road. (Exs. A & 8). Table 2 compares it and the subject property.

**Table 2**

	# of Units	Grade Multiplier	Base (SF)	SF/Unit	Base Building Price	Upper Building Price
Subject	8	1.10	1888	944	\$60.50	\$53.90
675 Ashworth	5	1.17	2539	1016	\$59.70	\$53.00
				Difference of	\$0.80	\$0.90

Bradshaw believes this comparison demonstrates her property is assessed at a higher price per square foot despite the two properties being similar.

Arnold agreed with Bradshaw that 675 Ashworth was a good comparable for the subject because it is a similar townhome-style building with a full basement. Both are classified multi-residential.

However, the subject property was built in 1980, whereas 675 Ashworth Road was built in 2000. The subject also has a grade (average quality) rating of 4+10 compared to the Ashworth property which is listed as a 3-05 grade (good quality). Because the properties have a different grade, they have different grade multipliers.

Arnold testified that both properties are correctly assessed when using the MANUAL, which prices apartment buildings on an average square-foot per unit. (MANUAL 6-72) *available at*

<https://tax.iowa.gov/sites/files/idr/documents/6PRECOMPUTEDSECTIONB.pdf> (last visited Jan. 22, 2019). Arnold explained that the rationale for pricing apartments in this manner accounts for the costs of additional kitchens, bathrooms, and interior walls that would be associated to a property with more units than another property, as is the case in this comparison.

The Board of Review also submitted a spreadsheet of Bradshaw's comparable properties, with the rents it believes each are currently receiving. (Ex. D). The following table summarizes the rents per square foot that the Board of Review was able to ascertain from an on-line search.

	Property Type	Assessed Value/Unit	Unit Size	Rent
675 Ashworth	Townhome	\$77,670	1016	\$900
Subject	Townhome	\$55,375	944	\$825
660 2nd St	Apartment	\$47,933	624	\$790

Arnold testified that the rental rates are in line with the assessed value per unit, noting that as the assessed value per unit increases, so does the rent. Arnold explained that 660 2nd Street has the smallest units, but the units were completely gutted and remodeled after it was purchased in November 2017. (Exs. E, M-O).

Bradshaw testified that the \$825 rent the Board of Review reported for the subject property was only the asking price and she has not always been able to attain that rent rate. Her 2017 rent rates have ranged from \$790 to \$820 per month. (Ex. 3).

### **Analysis & Conclusions of Law**

Bradshaw contends the subject property is inequitably assessed and over assessed. Her concerns are primarily with the subject's land value. However, Iowa Courts have concluded the "ultimate issue . . . [is] whether the total values affixed by the assessment roll were excessive or inequitable." *Deere Manufacturing Co. v. Zeiner*, 78 N.W.2d 527, 530 (Iowa 1956); *White v. Bd of Review of Dallas County*, 244 N.W.2d 765 (Iowa 1976). While giving due consideration to Bradshaw's arguments, our end focus when evaluating her claims is on the subject property's total value.

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).

First, Bradshaw believes her site has not been uniformly assessed because it is based on a unit value and she believes it should be assessed on a square-foot basis. She argued that other apartments in Dallas County and Polk County do not appear to be similarly assessed. We note we give no consideration to the properties located outside of Dallas County because when considering equity the law requires properties be from within the same jurisdiction. *Maytag v. Partridge*, 201 N.W.2d 584, 594-95 (Iowa 1973).

However, Bradshaw may be attempting to invoke the provisions of section 441.21(1)(d), which provides: "If a variation of five percent or more exists between the actual values of similar, closely adjacent property in adjoining assessing jurisdictions in Iowa, the assessors thereof shall determine whether adequate reasons exist for such

variation.” But there is insufficient information in the record for PAAB to conclude the Polk County properties Bradshaw identified are similar and closely adjacent to the subject.

Additionally, Bradshaw argues the MANUAL does not allow for sites to be valued on a per-unit basis. However, we note the MANUAL does not require sites to be valued using a specific unit of comparison (i.e. square foot, front foot, or site), just that the unit of comparison used should be uniform. “The appropriate unit of comparison is usually the method used in the marketplace when sites are bought and sold.” MANUAL p. 2-5.

Arnold explained that Waukee multi-residential properties had been re-valued for 2018 and had the same per-unit rate applied to their land values regardless of site size. The Waukee comparables in the record support Arnold’s testimony. It appears the \$12,000-per-unit rate was applied uniformly to each of the multi-residential properties. Ultimately, we conclude the evidence does not demonstrate inequity in the assessment as the total assessments of each property appear uniform.

Bradshaw also incorrectly believes her improvements have been valued differently compared to a similar townhome-style apartment complex located at 675 Ashworth. The parties agree this property is a good comparable to the subject property. Bradshaw provided the property record cards for her property and this comparable showing what she believed to be inconsistent pricing of her improvements. However, Arnold explained the MANUAL pricing is based on the average size of the apartment units for each property to account for higher costs associated with more units. We note the pricing for each property is directly out of the MANUAL. (MANUAL 6-72). For these reasons, we do not find the Assessor applied an assessing method in a non-uniform manner.

Alternatively a taxpayer may show the property is assessed higher proportionately than other like property using criteria set forth in *Maxwell v. Shivers*, 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 portion of its actual value. *Id.* The *Maxwell* test requires a showing of the subject property’s actual market value. In this case, Bradshaw

provided only one sale, 660 2nd Street, which appears to be an arm's-length transaction. The assessment/sales ratio for the property was 0.73, indicating it is currently under assessed. However, more than one comparable property is required to establish inequity. *Id.* at 712; *Crary v. Bd. of Review of Boone*, 286 N.W.2d 428 (Iowa 1939). Therefore, *Maxwell* equity test cannot be completed.

In an appeal alleging the property is assessed for more than the value authorized by law under Iowa Code section 441.37(1)(a)(2), 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). Sale prices of the subject property or comparable properties in normal transactions are to be considered in arriving at market value. §441.21(1)(b).

As noted above, there is only one arm's-length transaction in the record, the sale of 660 2nd Street in November 2017 for \$786,000. (Exs. M-O). The sale price and assessment of that property significantly exceed the subject's assessment. Testimony from both Bradshaw and Arnold indicate that this property was substantially renovated after the sale. The sales price was not adjusted for differences between it and the subject property to arrive at an opinion of market value for the subject. Typically, market value is demonstrated with a competent appraisal or a comparative market analysis, considering at minimum the sales comparison approach to value. Because we find the evidence is insufficient to demonstrate the subject's total fair market value, we conclude Bradshaw has not shown her property is over assessed.

We note one underlying issue with the subject property's assessment is that it operates as a unit with a second parcel, but the two parcels were not valued together. According to Arnold, this has resulted in over assessment of the land. He testified that in total, the two parcels' land value should not exceed \$96,000. Because Arnold admitted the property was over assessed, we accordingly modify the subject property's assessment to reflect the correct value.

We further note that though the improvements exist on both parcels, their value has only been assigned to the subject parcel. To ensure the property is properly valued and taxed moving forward, it may be prudent to value the property as a unit and allocate

value to each parcel for the improvements thereon to reflect the conditions as they actually are. As such, we suggest the Assessor's Office review the assessment of these two parcels for the upcoming assessment year.

### **Order**

PAAB HEREBY MODIFIES the Dallas County Board of Review's action and the subject property shall be assessed at \$435,650, allocated as \$88,650 in land value and \$347,000 in improvement value.

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

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 30 days of the date of this Order and comply with the requirements of Iowa Code section 441.37B and Chapter 17A (2018).

  
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Karen Oberman, Presiding Officer

  
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Camille Valley, Board Member

Copies to:

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