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PAAB

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

PAAB Docket No. 2020-057-00202R

Parcel No. 14362-01002-00000

Mark R. Hanneman,

Appellant,

vs.

Linn County Board of Review,

Appellee.

Introduction

The appeal came on for hearing before the Property Assessment Appeal Board (PAAB) on December 15, 2020. Mark Hanneman was self-represented. Linn County Assessor Tami McFarland represented the Board of Review.

Mark and Barbara Hanneman own a residential property located at 3800 Hickory Ridge Lane, Cedar Rapids. Its January 1, 2020, assessment was originally set at $438,100. (Ex. B).

Hanneman petitioned the Board of Review contending his property was assessed for more than the value authorized by law and that there was an error in the assessment. Iowa Code § 441.37(1)(a)(1)(b & d) (2020). (Ex. C). The Board of Review modified the January 1, 2020, assessment to $431,000, allocated as $91,500 to land value and $339,500 to improvement value. (Exs. A & B).

Hanneman then appealed to PAAB reasserting his 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. § 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)(a) properly raised by the appellant following the provisions of section 441.37A(1)(b) and Iowa Admin. Code R. 701-126.2(2-4). New or additional evidence may be introduced. *Id*. 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 the assessed value is correct, but the taxpayer has the burden of proof. §§ 441.21(3); 441.37A(3)(a). The burden may be shifted; but even if it is not, the taxpayer may still prevail based on a preponderance of the evidence. *Id.*; *Compiano v. Bd. of Review of Polk Cnty*., 771 N.W.2d 392, 396 (Iowa 2009) (citation omitted).

Findings of Fact

The subject property is a one-and-one-half-story home built in 1988. It has 2644 square feet of gross living area and a walk-out basement with 900 square feet of average quality finish. The property is also improved with a three-car attached garage, a screen porch, multiple decks, a patio, and an in-ground swimming pool. The improvements are listed in normal condition with a 2+05 Grade (high quality). The improvements receive a 21% physical depreciation adjustment, as well as a 5% functional obsolescence adjustment in the assessment. The swimming pool is not currently functional and has no value assigned to it. The site is 2.15 acres with 1.15 acres in forest reserve. (Ex. A).

Hanneman purchased the subject property in May 2014 for $385,000. (Ex. A). He testified the previous owner had built a new home in the area and rented the subject property for six years while it was on the market. Hanneman viewed the property, made an offer, and it was accepted. He did not identify whether a real estate agent representing either party in the transaction. Hanneman testified he has not had an appraisal completed for any reason since he purchased the property. Since the purchase, he has refinished floors and wall coverings, “re-did the kitchen,”[1] replaced the

[1] Hanneman testified the kitchen had been updated but did not elaborate on the extent of the updates.

upstairs carpeting, and rebuilt the deck. He also noted there was some recent siding damage from the 2020 derecho storm that still needs repaired.

Hanneman testified about the history of his assessment dating back to 2015. Hanneman questions the changes from year-to-year. It is clear that Hanneman takes issue with the assessed value of the dwelling, but does not dispute the value attributed to the land. The Board of Review submitted a summary of the subject's assessments. (Ex. E). Hanneman's claims of error in his 2020 assessment generally stem from calculations he has made to previous assessments. In this case, briefly examining the historical assessment of the subject property provides some context to the claims Hanneman makes now. However, we will not go into his claims regarding the previous assessments at length because the only assessment before us is 2020.

Assessment History

When Hanneman purchased the property in May 2014, its assessed value was set at $450,800. (Ex. A, p. 5).

Subsequent to the purchase, the Assessor's Office inspected the subject property and made notes regarding the condition of the improvements, as well as the conditions of the sale. (Ex. E). The notes regarding the July 2014 inspection included the following comments:

> IMPROVEMENTS NEEDED - UPDATING SOME OF THE DATED FINISH ELEMENTS, ADDING GUTTERS TO STOP ROT OF REAR DECKING, REPLACING SOME WINDOWS, BSMT FINISH MOISTURE ISSUES, POSSIBLE POOL REPAIRS AND NEW ROOF IN THE NEXT 5 YEARS OR SO...

As a result of the inspection a 10% obsolescence "until complete" was applied to the property. The 2015 assessed value was set at $413,700, with an improvement value of $322,200. (Ex. E, p. 2; Ex. A, p. 5). Based on the evidence, we conclude the remarks reflect the appraiser's opinion that the subject property suffered from deferred maintenance at the time of the assessment and thus it was reasonable to apply obsolescence until or if the items were ever updated.

In 2017, Hanneman again contacted the Assessor's Office. He asserted the gross living area was previously incorrect. At this time, the Assessor's Office corrected

the subject property's gross living area, its grade (quality) was adjusted downward, and an additional 5% obsolescence was applied "until complete." (Ex. E). McFarland testified for the Board of Review and noted the 2014 and 2017 inspections were completed by different[2] appraisers in the Assessor's Office.

Hanneman was confused because a document he received during this appeal history did not mention the word "additional" when referencing the applied obsolescence. (Ex. 1). We note the two documents (Exs. 1 & E) serve different purposes and the document Hanneman received may not have contained internal notes from the Assessor's Office. Ultimately, his 2017 assessment was reduced to $381,100, with an improvement value of $289,600. Of importance, PAAB notes the subject's 2017 assessment had a total of 15% obsolescence applied to the improvements.

The 2019 assessment was set at $403,400, with an improvement value of $311,900. Hanneman reported there was a city-wide increase and his property saw a 7.7% increase from the prior assessment cycle. Notes indicate a permit was taken out for a multi-level deck; additionally, a 48-square-foot open porch was removed from the assessment and swimming pool pricing was corrected. (Ex. E). Hanneman did not protest the 2019 assessment.

2020 Assessment

Turning to the 2020 assessment, which is the subject of this appeal, Hanneman notes a $34,700 increase in assessed improvement value occurred, resulting in a new total assessment of $346,600. (Ex. E, p. 2). Hanneman believes the increase was triggered by the completion of the deck, as well as some interior finishing. He asserts this value is incorrect.

For the 2020 assessment the Board of Review reported the removal of the 2015 "10% obsolescence until complete," two pergolas were removed from the assessment, and there were changes in the size and condition of the decks. (Ex. E). Additionally, the assessed value of the in-ground pool was reduced to $0 to reflect needed repairs. (Ex.

[2] Notes on the property record are followed by the initials of inspecting appraisers. The 2014 inspection was completed by appraiser BJS; the 2016 inspection was completed by appraiser MJS. (Ex. A, p. 7-8).

E & Ex. A, p. 4). Although there is no direct evidence in the record of the prior assessed value of the pool, Hanneman testified it was set at $7100.

In his testimony, Hanneman repeatedly referred to the subject property's obsolescence adjustment as a "credit;" and calculated a "baseline" value relying on how he believes this credit should have been applied to the property. Based on his analysis, he believes the 2017 5% credit of $17,660 should be added to the 2019 assessed improvement value of $311,900, to arrive at a 2020 improvement value of $329,560. Hanneman then adds the assessed land value of $91,500 to arrive at a total value of $421,060.

Additionally, Hanneman asserts a further reduction to this value is necessary for the values attributed to the pergolas and pool of $2200 and $7100 respectively for these features. Although these items were not valued in the 2020 assessment, he explained his analysis is based on his determination of a 2014 baseline number which includes the pool, therefore he believes it needs to be removed from his calculations.

Based on the foregoing, Hanneman believes the correct January 1, 2020, assessment of $411,760. By his own testimony, he identified his analysis as a "reverse engineering" of the assessment. Hanneman acknowledged he has no background or expertise in valuing real property. He also testified he did not know the current market value of his property.

We note Hanneman's misuse of the term credit may be the cause of some of his confusion with the assessment history of his property. Obsolescence is not a credit to an assessment. Rather, obsolescence is a cause of depreciation, and results in a deduction in value (lower value). APPRAISAL INSTITUTE, THE DICTIONARY OF REAL ESTATE 158 (6th ed. 2015). Depreciation can be caused by many different factors, one example may be deferred maintenance, such as old decks. If the cause of depreciation is cured, i.e. the deck is repaired or replaced, the obsolescence could be reduced or possibly entirely removed from the assessment. *See* THE DICTIONARY OF REAL ESTATE 57 (defining "curable depreciation" and "curable functional obsolescence"). In this case, the appraiser's notes indicated obsolescence was applied to the subject property "until

complete." As previously reported, Hanneman acknowledged he has improved the property since the 2014 purchase.

As previously noted, McFarland provided some background information about the subject property's assessment history including the obsolescence previously applied to the property.

Analysis & Conclusions of Law

Hanneman contends the subject property is over assessed and that there is an error in the assessment. Iowa Code § 441.37(1)(a)(1)(b & d). The burden of proof of each of these claims is on Hanneman. § 441.21(3). We note the 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). Thus, while Hanneman's argument is focused on his improvement value, our analysis of the claim must focus on the subject property's total value.

An error may include, but is not limited to, listing errors or erroneous mathematical calculations. Iowa Admin. Code R. 701- 71.20(4)(b)(4). Hanneman's error claim essentially asserts he should have 10% obsolescence applied to the 2020 assessment of his improvements, rather than 5%. For the current assessment, the previous 15% obsolescence rate was reduced to 5% because improvements were made to the subject property since Hanneman purchased it in 2014. Hanneman acknowledged the improvements occurred prior to the 2020 assessment. Hanneman provided no market support to demonstrate his property suffers from greater than 5% obsolescence. Therefore, we find there is no error in the assessment.

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. *Soifer v. Floyd Cnty. Bd. of Review*, 759 N.W.2d 775, 780 (Iowa 2009) (citation omitted). 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). The subject property has not

recently sold, nor did Hanneman provide any evidence of the property's current value through comparable sales adjusted for differences, an appraisal, or a CMA, which is typical evidence to support a claim of over assessment.

Hanneman's opinion of the correct assessed value rests solely on his own reconstruction of prior assessments. It is insufficient to simply re-calculate an assessed value to arrive at the fair market value of a property. PAAB is only concerned with the improvements as they existed on January 1, 2020. Prior descriptions of the improvements could be, and in this case would be, different because of changes to the subject property including corrections in the size, quality, condition, and the removal and replacement of other features like the deck. Likewise, adjustments made to the assessments for obsolescence could be different than obsolescence now. For these reasons, Hanneman has failed to show the subject property is assessed for more than authorized by law.

It is clear that much of Hanneman's consternation with his assessment arises from the 2014 appraiser notes listing items that, in his opinion, contributed to the subject property suffering from obsolescence. As such, he is waiting for the "other shoe to drop" so to speak, and questions what may trigger the current 5% obsolescence to be removed. McFarland offered for Hanneman to call the Assessor's Office so that she could further explain the assessment process to him. We encourage this meeting in the hopes it may offer Hanneman clarity in the assessment process moving forward.

Viewing the record as a whole, we find Hanneman failed to support his claims.

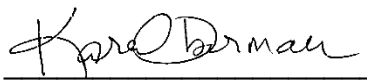
Order

PAAB HEREBY AFFIRMS the Linn County Board of Review's action.

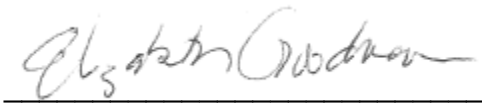
This Order shall be considered final agency action for the purposes of Iowa Code Chapter 17A (2020).

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.



Karen Oberman, Board Member



Elizabeth Goodman, Board Member

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