

**STATEMENT IN SUPPORT OF APPEAL TO  
THE PROPERTY ASSESSMENT APPEAL BOARD**

This appeal relates to a car wash located at 800 N Jefferson Way, Indianola (“the Property”). Following successful appeals of both the 2011 and 2013 assessments, the Warren County Assessor increased the assessment for 2015 from \$533,700 to \$658,600, despite the lack of any changes or improvements to the Property. The Warren County Board of Review refused to reduce the assessment. Executive Laser Wash hereby appeals the decision of the Warren County Board of Review on the grounds that (1) there is an error in the assessment, (2) there is fraud in the assessment, (3) the property is assessed for more than the value authorized by law, and (4) the assessment is not equitable as compared with assessments of other like property in Warren County.

**A. There is Error in the Assessment and Fraud in the Assessment as the Warren County Assessor Has Repeatedly Ignored the Rulings of the Property Assessment Appeal Board.**

The Property has been the subject of two recent appeals to the Property Assessment Appeal Board (“PAAB”) for the tax years beginning January 1, 2011, and January 1, 2013. On April 3, 2012, PAAB issued its decision for the 2011 appeal (Docket No. 11-91-0193). A copy of PAAB’s decision in the 2011 appeal is attached hereto. Relying on the testimony of appraiser Ted Frandson, PAAB found that the actual value of the Property, including non-taxable equipment and prior to any discounts, was \$800,000. PAAB also found, however, that the Property was subject to environmental contamination which reduced the value of the Property. Based upon Mr. Frandson’s testimony, PAAB applied a 15% contamination discount to the Property, excluded the value of the non-taxable equipment, and arrived at a value of \$430,000.

On April 12, 2013, the Warren County Assessor increased the assessed value of the Property from \$430,000 to \$594,600, despite the fact that there had been no material

improvements or changes to the Property. Executive Laser Wash appealed the 2013 assessment. On February 13, 2015, PAAB issued its decision for the 2013 appeal (Docket No. 13-91-0369). A copy of PAAB's decision in the 2013 appeal is attached hereto. PAAB again found that the Property was subject to environmental contamination and stated that "[i]t is clear there is substantial uncertainty and risk inherent with the ownership of this property." Order at p. 9. PAAB further found that the Property's fair market value was "impaired both by the actual contamination that exists on the property as well as the stigma that attaches to a property that is or has been contaminated." Order at p. 10. PAAB held that the Warren County Assessor's 2013 assessment "failed to account for either." Order at 10-11. PAAB again relied on the testimony of appraiser Ted Frandson and found that the value of the Property, including non-taxable equipment and prior to any contamination discount, was \$830,000. Reducing this amount by the value of the non-taxable equipment and applying a 15% contamination discount, PAAB ruled that the value of the Property was \$533,700. PAAB declined to increase the contamination discount from 15% to 25% as was proposed by Mr. Frandson. Mr. Frandson had testified that a 25% contamination discount was warranted because of the DNR's renewed interest in the Property. PAAB held, however, that "[t]he evidence before PAAB demonstrates that the DNR did not indicate its renewed interest in the property until, at the earliest, June 2013, well after the relevant assessment date of January 1, 2013," and that "[p]rior to this, the testimony and exhibits suggest the DNR had not contacted Executive concerning the contamination since 2004." Order at 11. Accordingly, PAAB held that the evidence concerning the DNR's renewed interest in the Property could not be considered in the 2013 appeal and thus 15% was still the appropriate contamination discount. Order at 11.

On April 1, 2015, the Warren County Assessor *again* increased the assessed value from \$533,700 to \$658,600, despite the lack of any changes or improvements to the Property. The Property is still contaminated and, in fact, the DNR's renewed interest in the Property as discussed in PAAB's February 13, 2015 ruling is now within the relevant period of consideration. The Assessor apparently refuses to acknowledge that the environmental contamination to the Property reduces its value, despite the fact that PAAB has now twice held that it does. The Assessor's actions in repeatedly ignoring the rulings of PAAB and increasing the assessment after a successful appeal shows complete disregard for the authority of PAAB. It is entirely unfair to require property owners to fight the same legal battle year after year. If every assessor in the state routinely ignored PAAB's assessment rulings and in the next assessment year simply re-set the value to that which had been challenged in the previous year, it would frustrate this process and effectively deny taxpayers their right of appeal.

The Assessor's refusal to recognize the environmental contamination to the Property constitutes an error in the assessment. Iowa Code § 441.37(1)(a)(1)(d). Likewise, the Assessor's repeated disregard of PAAB's orders constitutes fraud in the assessment. Iowa Code § 441.37(1)(a)(1)(e). Accordingly, the Board of Review should reduce the assessment as set forth below.

**B. The Property is Assessed for More than the Value Authorized by Law.**

Attached hereto are pertinent portions of an updated appraisal of the Property performed by Ted Frandson. Mr. Frandson's prior valuations of the Property have twice been accepted by PAAB as establishing the actual value of the Property. The date of this appraisal is May 15, 2014, only months before the relevant date of value of January 1, 2015. Mr. Frandson

determined that the value of the Property, including non-taxable machinery and equipment and prior to any contamination discount, was \$860,000:

Land:	\$454,000
Improvements:	\$204,409
Equipment:	<u>\$201,591</u>
Total:	\$860,000

Mr. Frandson further found that the Property is subject to environmental contamination and that “the property owner indicates he has been contacted by the DNR office recently to resume testing on the subject site.” This is consistent with PAAB’s finding in its February 13, 2015 order that the DNR had begun showing renewed interest in the Property in approximately June of 2013. Because the DNR’s renewed interest in the Property pre-dates the relevant date of value of January 1, 2015, it is properly considered in this appeal. Mr. Frandson concludes that “[c]onsidering the potential expense of site testing/monitoring, legal costs to comply with future DNR action, and unknown variables, we estimate a minimum discount of 25 percent, and it is likely that the discount is greater than 25 percent.” Applying Mr. Frandson’s minimum contamination discount of 25%, and excluding the value of the non-taxable equipment, results in a taxable value of \$493,807:

Land:	\$454,000
Improvements:	\$204,409
Less 25% Contamination Discount:	<u>\$(164,602)</u>
Total Assessed Value:	\$493,807

Because the assessed value of \$658,600 far exceeds the Property’s actual value of \$493,807, the 2015 assessment should be reduced accordingly.

**C. The Assessment is Not Equitable Compared with Assessments of Other Like Properties.**

The Assessor’s 2015 assessment of the Property constitutes an increase of more than 23.4% over the 2013 assessment. Other similar or neighboring commercial properties did not

see such a substantial increase. 506 N Jefferson Way, another car wash facility, received only a 5.6% increase. 1905 W 2nd Ave, another car wash facility, received only a 5.7% increase. 910 N Jefferson Way, a grocery store, received only a 2.3% increase. 1207 N Jefferson Way, a fast food restaurant, received only a 2.5% increase. 607 N Jefferson Way, a convenience store, received only a .4% increase. 1303 N Jefferson Way, a restaurant, received a .2% *decrease* in its 2015 assessment. 1103 N Jefferson Way, a fast food restaurant, received only a 3.4% increase. 300 N Jefferson Way, a fast food restaurant, received only a 3.4% increase. 700 N Jefferson Way, a fast food restaurant, received only a .5% increase.

The change in assessment for these other properties ranged from a .2% decrease up to a 5.7% increase. The 23.4% increase for the subject Property *far* exceeds the change in assessments for these other properties, despite the fact that there were no improvements or changes in the Property. Accordingly, the 2015 assessment for the Property is not equitable as compared to other properties and should be reduced. Iowa Code § 441.37(1)(a)(1)(a).

### CONCLUSION

The Property Assessment Appeal Board should not tolerate the Assessor's repeated disregard of its orders concerning this Property. Executive Laser Wash should not be required to fight this same battle year in and year out. The actual value of the Property, as established by Ted Frandson's May 2014 appraisal, is \$493,807. Accordingly, the 2015 assessment should be reduced accordingly.

STATE OF IOWA  
PROPERTY ASSESSMENT APPEAL BOARD

**Express Car Wash,**  
Petitioner-Appellant,

v.

**Warren County Board of Review,**  
Respondent-Appellee.

**ORDER**

**Docket No. 11-91-0193**  
**Parcel No. 48-860-00-1116**

On January 9, 2012, the above-captioned appeal came on for hearing before the Iowa Property Assessment Appeal Board. The appeal was conducted under Iowa Code section 441.37A(2)(a-b) and Iowa Administrative Code rules 701-71.21(1) et al. Petitioner-Appellant, Express Car Wash, was represented by attorney John D. Hintze of Ahlers & Cooney, PC, Des Moines. The Warren County Board of Review was represented by County Attorney John Criswell, and Assessor Brian Arnold participated at hearing on its behalf. The Appeal Board now having examined the entire record, heard the testimony, and being fully advised, finds:

*Findings of Fact*

Express Car Wash, Inc. (Express), owner of property located at 800 N Jefferson Way, Indianola, Iowa, appeals from the Warren County Board of Review decision reassessing its property. The real estate was classified commercial for the January 1, 2011, assessment and valued at \$631,700; representing \$397,000 in land value and \$234,700 in improvement value. Express protested to the Board of Review on the grounds that the property was not equitably assessed compared to other like property under Iowa Code section 441.47(1)(a); that the property was assessed for more than authorized by law under section 441.37(1)(b); and that there is an error in the assessment under section 441.27(1)(d). It attached a letter to its Board of Review petition explaining its claims and giving a history of the property and its current environmental status.

The Board of Review denied the protest.

Express then appealed to this Board on the same grounds. On its appeal form, Express valued the property at \$459,300. As of the hearing, however, Express now values the subject property at \$430,000 based on an appraisal it obtained.

The subject property is a seven-bay car wash built in 1994. It has 5200 square feet on the ground floor. The car wash has four automatic bays and three manual bays. It sits on a 1.302 acre site. The site was a former fuel station auto service and repair shop. During its use by others, it had five underground storage tanks (UST) that were removed in 1991. Jeshani purchased the property from the Small Business Administration in 1994, and was told at that time the site had a low risk of environmental contamination. However, after his purchase and around that time it was determined the tanks had leakage and were subsequently determined to be leaking underground storage tanks (LUST). The property is currently listed as a "high risk" LUST site by the Iowa Department of Natural Resources (DNR).

Amir Jeshani, owner of Express, testified at hearing. Jeshani testified Express' assessment was \$459,300 in 2010, and increased in 2011 to \$631,700. He indicated the increase was a result of major change in the land value from \$142,800 in 2010 to \$397,000 in 2011. Jeshani submitted three years of financial records because, in his opinion, the value of the car wash is largely based on the revenue it can produce. His net income has decreased \$60,726 between 2008 and 2010. Jeshani noted that expenses have increased, and in today's economy, washing your car is a discretionary expense.

Jeshani pointed out that a competing 10-bay car wash located three blocks away at 506 N Jefferson, sold in September 2004 for \$650,000 (including non-taxable equipment). Additionally, he noted the property's current assessed value is \$536,500. Its land assessment is \$221,100, while the subject land is assessed at \$397,000. Jeshani believes if the subject property were sold it would bring less, since the Jefferson car wash generates more revenue.

Jeshani also pointed out that the subject property's land is assessed at \$7.00 per square foot, and retail properties such as Dairy Queen, Hy-Vee, and Country Kitchen, located within five blocks of the subject property, are assessed for less at \$5.00, \$3.62, and \$3.40 per square foot respectively. He believes this strip area land value should be valued equally or higher than the subject. This Board notes the lot sizes or other comparable data regarding these properties was not submitted; therefore, it must be given little weight because direct comparisons between the subject property and the other properties cannot be analyzed. Express' petition to the Board of Review also listed several assessments of car wash property located in Des Moines. It attempts to reference these properties to support the conclusion that they are competing properties that all received reductions in their assessments. This Board, however, notes those properties are not located in Warren County; and therefore, their assessments cannot be used in an equity claim. *Maytag Co. v. Partridge*, Iowa 210 N.W.2d 584, 594-595 (Iowa 1973).

A major concern in Jeshani's protest is the large increase in the land value. He testified the subject site is being considered a "high risk" leaking underground storage tank site. This contamination was caused by the five underground tanks utilized by a prior owner. Jeshani testified potential owners would have difficulty getting funding from lenders and would have additional administrative and/or regulatory obligations. In his opinion, the DNR's continued requests would decrease the value of the subject property.

Assessor Brian Arnold, on behalf of the Board of Review, cross-examined Jeshani. He questioned Jeshani regarding a refinanced mortgage Arnold believed Jeshani tried to obtain on the Express property. However, it is clear from Jeshani's testimony that the refinancing includes other car washes he owns, not just the Express property.<sup>1</sup> Therefore, we give no weight to the mortgage or refinancing information in the record.

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<sup>1</sup> Jeshani owns three additional car washes located in Des Moines and West Des Moines.

Ted Frandson of Frandson and Associates, Des Moines, Iowa, appraised the subject property as of January 1, 2011. He also testified at hearing for Express. In summary, Frandson initially valued the subject property at \$800,000. This value, however, includes the value of machinery and equipment and considers the property with no environmental contamination. Frandson also concluded a market value for the subject property after deducting the value of the machinery and equipment (\$245,577) and accounting for the existing environmental contamination on the property. To reflect the environmental contamination, he made a 15% adjustment. His final conclusion of value for the subject property is \$430,000, as of January 1, 2011.

Frandson conducted all three approaches to value. He valued the property as if uncontaminated and then later adjusted his reconciled value to reflect the contamination.

Frandson first valued the subject property using the cost approach. To determine a land value, Frandson chose four land sales that occurred in Indianola in the general vicinity of the subject property. The majority of these sales are dated; three occurred between June 2004 and June 2006. The fourth sale took place in September 2009. However, Frandson testified he made significant adjustments for time. Frandson also stated that only other nominal adjustments to the sales were necessary. He concluded a value of \$7.00 per square foot for the site and a total site value of \$397,000.

Frandson then determined the replacement cost for Express' improvements using *Marshall and Swift Valuation Service*. He determined the total estimated accrued depreciation for the building was 72% and depreciated the other site improvements at 80%. Including the equipment value, he arrived at a total depreciated cost of improvements of \$438,027. Adding this value to the land value, Frandson concluded a cost approach value of \$835,000 (rounded).

Frandson's sales comparison approach examined four sales of car washes in Iowa. Two sales were in Indianola, one sale was from Polk City, and the final sale was in Oskaloosa. Three of the sales

were recent, occurring between June 2009 and February 2010. The fourth sale was more dated and occurred in September 2004. Frandson noted he considered the sales on a price-per-bay basis and used this price-per-bay basis to establish the subject's improvement value. He testified this method was reasonable for a car wash property rather than a price per square foot. Frandson's adjusted range of value per bay was between \$99,450 and \$130,000. Using a per-bay value of \$115,000, he concluded a sales comparison approach value of \$805,000.

Finally, Frandson completed an income approach to value. He used market rates from two other car washes in Indianola. The appraisal notes the two comparables' automatic wash facilities are inferior to the subject in terms of quality and wash features. However, he finds the subject's wash pricing is in line with competing washes even though it offers additional features and has higher quality automatic equipment. Frandson also examined annual washes and revenue per wash. He considered both fixed and variable expenses. He concluded a net operating income (NOI) of \$108,498, capitalized it at 13.71%, and arrived at an income approach value of \$791,000 (rounded).

Frandson reconciled the approaches and arrived at a value of \$800,000. As previously noted, this value included exempt machinery and equipment and did not account for the environmental contamination. Frandson testified the 15% he applied for the environmental contamination was a difficult figure to determine because a "precise discount the typical buyer would require to accept the risk of potential future remediation the DNR may initiate" is difficult to estimate. He explained that some contaminated properties have less than zero value because of the liability and cleanup. Frandson testified the DNR has not lifted the risk designation and he considered the contamination was a significant risk to the property. Frandson found no sales of contaminated car washes. He also felt this was a minimum discount since there were so many unknowns.

Frandsen's testimony regarding his appraisal, including his explanation of the discount for the environmental issue was honest and concise. This Board finds he was a knowledgeable credible witness.

Arnold testified on behalf of the Board of Review. Arnold submitted a restructured income statement he created of the subject property. Based on his restructured income statement, his income approach generated a value of \$631,700, excluding exempt property. Arnold used his income approach to support the assessed value. Arnold also provided a land sales spreadsheet with sales from 2004 through 2011, as well as a current land rate map. The sales also show a price per unit value, but the information was not used to determine a market value for the subject property. We find this information is too generalized and not adjusted to reflect the subject property's assessed value. Arnold stated that he revalued all commercial property in 2011. Ultimately, we give the Board of Review's evidence little weight.

Finally, a major concern to this Board, as well as Express' counsel, is the fact that the Board of Review met after Express' initial hearing and allowed Arnold to present information to it, namely his restructured income approach to support the assessed value. The restructured income statement presented after the original hearing produced the same value as the assessed value. The Board of Review did not notify Express regarding the Arnold presentation or that this additional evidence was given to the Board of Review. Nor was Express given the opportunity to take part in the deliberation meeting or rebut the restructured income approach. After Arnold's presentation, the appeal was denied.

This Board questions the procedure utilized by the Warren County Board of Review, and the assessor's actions regarding this assessment. We find the best evidence to be the appraisal by Frandsen, after the deduction of equipment. We, therefore, modify the assessment and determine the value for January 1, 2011, to be \$430,000.

### *Conclusions of Law*

The Appeal Board based its decision on the following law.

The Appeal Board has jurisdiction of this matter under Iowa Code sections 421.1A and 441.37A (2011). This Board 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). The Appeal Board determined 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). The Appeal Board considers only those grounds presented to or considered by the Board of Review. § 441.37A(1)(b). But new or additional evidence may be introduced. *Id.* The Appeal Board 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).

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. *Id.* "Market value" essentially is defined as the value established in an arm's-length sale of the property. § 441.21(1)(b). Sale prices of the property or comparable properties in normal transactions are to be considered in arriving at market value. *Id.* If sales are not available, "other factors" may be considered in arriving at market value. § 441.21(2). The assessed value of the property "shall be one hundred percent of its actual value." § 441.21(1)(a).

To prove equity, 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). Alternatively, a taxpayer may show the property is assessed higher proportionately than other like property using criteria set forth in *Maxwell v. Shriver*, 257 Iowa 575, 133 N.W.2d 709 (1965). The gist of this test is ratio difference between assessment and market value, even though Iowa law now requires assessments to be 100% of market

value. § 441.21(1). Express did provide evidence to show the property's assessment, particularly its land value, was quite different from the land value of another car wash located nearby. As a whole, however, Express' evidence is not sufficient to prove inequity in the assessments.

In an appeal that alleges the property is assessed for more than the value authorized by law under Iowa Code section 441.37(1)(b), there must be evidence that the assessment is excessive and the correct value of the property. *Boekeloo v. Bd. of Review of the City of Clinton*, 529 N.W.2d 275, 277 (Iowa 1995). Express provided an appraisal that we find demonstrates the subject property is over assessed.

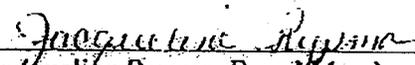
Viewing the evidence as a whole, we determine that substantial evidence exists to support Express' claim of over-assessment as of January 1, 2011. We, therefore, modify the Express property assessment as determined by the Board of Review.

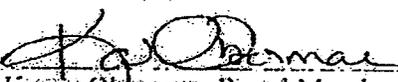
THE APPEAL BOARD ORDERS that the January 1, 2011, assessment of the Express property located at 800 N Jefferson Way in Indianola, Iowa, determined by the Warren County Board of Review is modified and assessed at \$430,000.

The Secretary of the State of Iowa Property Assessment Appeal Board shall mail a copy of this Order to the Warren County Auditor and all tax records, assessment books and other records pertaining to the assessments referenced herein on the subject parcel shall be corrected accordingly.

Dated this 3 day of April 2012.

  
Richard Stradley, Board Chair

  
Jacqueline Rypma, Board Member

  
Karen Oberman, Board Member

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Certificate of Service	
The undersigned certifies that the foregoing instrument was served upon all parties to the above cause & to each of the attorney(s) of record herein at their respective addresses disclosed on the pleadings on <u>4-3</u> , 201 <u>2</u>	
By:	<input checked="" type="checkbox"/> U.S. Mail <input type="checkbox"/> FAX <input type="checkbox"/> Hand Delivered <input type="checkbox"/> Overnight Courier <input type="checkbox"/> Certified Mail <input type="checkbox"/> Other
Signature	<u><i>John Criswell</i></u>

STATE OF IOWA  
PROPERTY ASSESSMENT APPEAL BOARD

**Executive Laser Wash,**  
Appellant,

v.

**Warren County Board of Review,**  
Appellee.

**ORDER**

**Docket No. 13-91-0369**  
**Parcel No. 48-860-00-1116**

On November 24, 2014, the above-captioned appeal came on for hearing before the Iowa Property Assessment Appeal Board. The appeal was conducted under Iowa Code section 441.37A(2)(a-b) and Iowa Administrative Code rules 701-71.21(1) et al. Executive Laser Wash was represented by attorney Jason Craig of Ahlers & Cooney, PC, Des Moines. The Warren County Board of Review was represented by attorney Brett Ryan of Watson & Ryan, PLC, Council Bluffs, Iowa. The Appeal Board now having examined the entire record, heard the testimony, and being fully advised, finds:

*Findings of Fact*

Executive Laser Wash (Executive) is the owner of a commercial car wash located at 800 N Jefferson Way, Indianola, Iowa. The property was built in 1994, has seven-bays: four automatic and three manual, and is 5200 square feet. It sits on a 1.302-acre site. The site was formerly a fuel station, and auto service/repair shop. At that time, it had five underground storage tanks (UST), which were removed in 1991.

The subject property's 2011 assessment was \$631,700. Executive appealed that assessment and this Board reduced the value to \$430,000. In 2013, the property was revalued at \$594,600, representing \$397,000 in land value and \$197,600 in improvement value. Executive protested the 2013 assessment to the Board of Review on the grounds that the property was not equitably assessed

compared to other like property; that the property was assessed for more than authorized by law; there is an error in the assessment; and there is fraud in the assessment under Iowa Code sections 441.37(1)(a)(1), (2), (4), and (5). It attached a summary of grounds to its Board of Review petition explaining its claims and giving a history of the property and its current environmental status. The Board of Review granted the protest, in part, and reduced to assessment to \$535,100 by applying a 15% adjustment to the land value due to the environmental contamination.

Executive then appealed to this Board on the same grounds and provided a statement explaining its claims. Its error claim essentially asserts the property is over-assessed. On its appeal form, Executive asserted the property's correct assessment was \$430,000.

Amir Jeshani, owner of Executive, testified at hearing. Jeshani explained an oil business previously owned the subject property and financed it through the Small Business Administration (SBA). The business went bankrupt and Jeshani subsequently purchased the property from the SBA in 1994. At the time of purchase, it was rated with a low risk of environmental contamination as SBA had begun a cleanup caused by leaking underground storage tanks (LUST). Jeshani testified that he spent \$100,000 for the Department of Natural Resources (DNR) required site assessment and installation of monitoring wells. Ten years passed without incident. Then in 2004, the city ran a plastic water line through the right-of-way on the subject property. As a result, the DNR relisted the property as a "high risk" LUST site. (*See also* Exhibit C).

Jeshani reported that in August 2013 the DNR sent a letter to him requesting access to the property to conduct tests. (Exhibit 14). This letter describes a number of items that could impact the utility of the property on a spectrum – from testing that would have minimal impact to installation of monitoring wells, which may have a greater impact. The letter notes any associated costs for this would come out of the UST Fund, but that the fund has the authority to undertake recovery of these costs, including placing a lien on the real estate. Jeshani testified he wanted assurance that he would

not be responsible for the costs of remediation. He testified that he has yet to receive such an assurance. In Jeshani's opinion, the risk and uncertainty involved in buying and securing financing for a contaminated property reduces its value.

Jeshani testified about communications between the DNR and his attorneys regarding remediation liability. In a June 13, 2014 letter to Jeshani's attorney, the Deputy Administrator of the Iowa Underground Storage Tank Fund indicated that Jeshani was not considered to be a "responsible party" for the contamination and, pursuant to Board policy, cost recovery efforts would not be pursued against him for corrective actions. (Exhibit C).

In a June 17, 2014 letter, DNR attorney Aaron Brees states that the DNR does not provide an enforceable assurance that would have the "effect of relieving a person of all present or future liability associated with the UST release(s) of concern." (Exhibit C). The letter also states that only the legally responsible party is liable for the cost of remediation and a buyer of an already contaminated site would have no liability unless it takes action that worsens the contamination. It suggests, however, that a new owner would still be responsible for monitoring costs. Lastly, the letter points out that owners of contaminated sites that are not legally responsible for the contamination are statutorily protected from third-party lawsuits. § 455B.751. We note the relevant date of valuation in this appeal is January 1, 2013, and the events described by Jeshani and the letters concerning Executive's liability for contamination occurred well after the assessment date.

Jeshani reported a June 2014 mortgage on the subject property was part of a \$3 million loan to his corporation to build a new car wash in Ankeny. (Exhibit G). The mortgage, in effect, made the subject property collateral for the new construction loan, along with his life insurance, and other properties owned by his corporation. The Board of Review submitted a 2014 appraisal completed by appraiser Ted Frandson of Frandson and Associates, Des Moines, Iowa as part of the new car wash

financing. (Exhibit F). The mortgage and appraisal are well past the January 1, 2013, assessment date and we give them no consideration.

Jeshani also testified the building is insured for \$1,146,496 at its replacement cost, which automatically increases with each renewal. (Exhibit I). This value is not adjusted for depreciation and we find it does not represent the fair market value of the improvements.

In support of his inequity claim, Jeshani identified another car wash in Indianola located at 504/506 Jefferson with a land assessment of \$5.00 per-square-foot (Exhibit 10), while the subject land is assessed at \$7.00 per-square-foot (Exhibit 9). He also finds it inequitable that his property assessment increased, while other commercial properties in Indianola decreased. (Exhibit 11).

Finally, Jeshani believes it was harassment for the Assessor to increase his assessment after the PAAB had just reduced it, especially without an appraisal to support its value. Jeshani reported the Board of Review reduced the assessment, over the Assessor's recommendation it not be reduced. It is also his belief the Board of Review met privately with the Assessor and without his attorney present to discuss its decision. The Warren County Assessor Brian Arnold denied any non-public Board of Review meeting took place.

Executive also submitted a series of emails beginning on June 27, 2013, between Arnold and Shelly Nellesen, an Environmental Specialist and DNR project manager for the subject site. (Exhibit 12). Nellesen requests property transactions dating back to 1989 in an apparent attempt to identify the responsible party for the site contamination. Although these emails occurred after the assessment date, they indicate the first instance of the DNR's renewed interest in the property's contamination status. Neither party submitted any evidence suggesting the DNR had expressed a renewed interest in the property prior to June 27, 2013.

Ted Frandson, appraised the subject property as of January 1, 2013, for Executive and testified at the hearing. (Exhibit E). In summary, Frandson initially valued the subject property at \$830,000.

This value, however, includes the value of machinery and equipment and considers the property with no environmental contamination. Frandson also concluded a market value for the subject property after deducting the value of the machinery and equipment and accounting for the existing environmental contamination on the property. To reflect the environmental contamination, he made a 25% adjustment. His final conclusion of value for the subject property is \$450,000, as of January 1, 2013.

Frandson conducted all three approaches to value.

Frandson first valued the subject property using the cost approach. To determine a land value, Frandson chose four land sales of property located along N. Jefferson Way in Indianola. The majority of these sales are dated; three occurred between June 2005 and June 2009, and the fourth occurred in February 2011. However, Frandson made adjustments (5% to -20%) to the older sales for time. Frandson stated he also adjusted the sales for location and size. He concluded a value of \$7.25 per-square-foot for the site and a total site value of \$411,000 (rounded).

Frandson then determined the replacement cost for Executive's improvements using *Marshall and Swift Valuation Service*. He determined the total estimated accrued depreciation for the building was 72% and depreciated the other site improvements at 80%. Including the equipment value, he arrived at a total depreciated cost of improvements of \$430,499. Adding this value to the land value, Frandson concluded a cost approach value of \$841,000 (rounded).

Frandson's sales comparison approach examined four sales of car washes in Iowa. Two sales were in Indianola, one sale was in Polk City, and the final sale was in Johnston. Three of the sales were recent, occurring between June 2009 and November 2012. The fourth sale occurred in September 2004. Frandson noted he considered the sales on a price-per-bay basis and used this price-per-bay basis to establish the subject's improvement value. He testified this method was reasonable for a car wash property rather than a price per-square-foot. Frandson's adjusted range of value per-bay

was between \$99,450 and \$118,400. Using a per-bay value of \$115,000, he concluded a value of \$805,000 by the sales comparison approach.

Finally, Frandson completed an income approach to value. He used market rates from two other car washes in Indianola. He testified car wash income varies depending on the weather, management, and competition entering or leaving the market. Frandson noted the subject property had no new competition and favorable weather resulting in higher income in 2012. The appraisal notes the two comparable automatic wash facilities are inferior to the subject in terms of quality and wash features. However, he finds the subject's wash pricing is in line with competing washes (ranging \$6.00 to \$9.00) even though it offers additional features and has higher quality automatic equipment. Frandson also examined annual washes and revenue per wash. He considered both fixed and variable expenses. He concluded a net operating income (NOI) of \$115,044, capitalized it at 13.58%, and arrived at an income approach value of \$847,000 (rounded).

Frandson reconciled the approaches and arrived at a value of \$830,000. As previously noted, this value included exempt machinery and equipment and did not account for the environmental contamination. Frandson testified the 25% he applied for the environmental contamination was a difficult figure to determine regardless of who is responsible for the cleanup. He testified it was common in the profession to give a "stigma discount" recognizing the market reaction to the contamination. While the Board of Review only applied a discount for contamination to the land, Frandson testified the discount should be applied to the total property value of both land and improvements.

Frandson testified that because the DNR has expressed a renewed interest in the condition of the site and potential need for additional remediation, the risk of the subject property's ownership has increased. There is uncertainty in not knowing what a cleanup will entail and what it will cost. Thus, he increased the 15% contamination discount he applied in a 2011 appraisal of the subject to 25%.

Frandsen explained it is not appropriate to simply deduct the cost of cleanup from the property value of a contaminated property, an unknown in this case, to arrive at its market value. A new buyer would consider these cleanup issues. He testified part of the problem with contaminated property is that banks will not loan money on them and often require liens on the borrower's other property to secure the loan. Regardless of who is liable for the cleanup, the property is worth less if it is contaminated. Frandsen testified a "benchmark" he would recognize, which would give him more comfort about the site, even though it was not "clean" yet would be a "No further action required" designation. Frandsen testified his adjustment was based on the assumption Executive would not be responsible for cleanup.

We find the increase in Frandsen's contamination adjustment from 15% to 25% is based on events that occurred after the relevant assessment date of January 1, 2013. As a result, we find that Frandsen's adjustment should be reduced to 15%, resulting in final value conclusion of \$533,700 (rounded).

Warren County Assessor Brian Arnold testified on behalf of the Board of Review. Arnold noted in setting the 2013 assessment, he reviewed the LUST folder and the 2003 DNR assessment of the subject property. From this review, he determined the contaminated portions of the site are underneath the parking lot, not under the building. Based on the assumption that present and future owners would face no financial liability for assessment or remediation, he believes the site value should not be discounted. Despite the PAAB Order, Arnold concluded the subject property should not have any discount for contamination. He reassessed the property, eliminating any contamination adjustment and increased the 2013 value. Arnold reported the surrounding properties' assessments went down because a city-wide 5% reduction was applied to all commercial properties including the subject. Arnold denied any allegation that the Board of Review met in a non-public meeting after the first Board of Review hearing to consider Executive's protest.

### *Conclusions of Law*

The Appeal Board has jurisdiction of this matter under Iowa Code sections 421.1A and 441.37A. This Board is an agency and the provisions of the Administrative Procedure Act apply. Iowa Code § 17A.2(1). This appeal is a contested case. § 441.37A(1)(b). The Appeal Board determines anew all questions arising before the Board of Review, but considers only those grounds presented to or considered by the Board of Review. §§ 441.37A(3)(a); 441.37A(1)(b). New or additional evidence may be introduced. *Id.* The Appeal Board 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. § 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 Cnty. Bd. of Review*, 393 N.W.2d 148, 151 (Iowa 1986).

In Iowa, property is to be valued at its actual value as of January 1 of the year the assessment is made. Iowa Code §§ 441.21(1)(a); 441.46; Iowa Admin. R. 701-71-21.2. 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.* If sales are not available to determine market value then "other factors," such as income and/or cost, may be considered. § 441.21(2).

#### *Fraud Claim*

While Executive claimed there was fraud in the assessment, we find the evidence presented was conflicting and insufficient to support this claim.

### Equity Claim

To prove equity, 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). 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 (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 this actual value. *Id.* The *Maxwell* test may have limited applicability now that current Iowa law requires assessments to be at one hundred percent of market value. § 441.21(1). Nevertheless, in some rare instances, the test may be satisfied.

Executive provided evidence to show its land assessment was quite different from the land value of another car wash located nearby. However, we conclude that Executive's evidence is not sufficient to prove inequity in the assessments under the *Eagle Food* or *Maxwell* tests.

### Over-assessment Claim

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), there must be evidence that the assessment is excessive and the correct value of the property. *Boekeloo v. Bd. of Review of the City of Clinton*, 529 N.W.2d 275, 277 (Iowa 1995). It is clear there is substantial uncertainty and risk inherent with the ownership of this property. The stigma associated with this type property is well recognized and difficult to quantify. On the other hand, remediation is the actual costs to clean up a contaminated property for both on-site contamination and off-site impacts and it is distinct from stigma. *The Appraisal Institute, The Appraisal of Real Estate*, pp 212-213 (14th ed. 2013).

Stigma is an adverse public perception regarding a property, commonly the identification of a property with a condition such as environmental contamination . . . and may also result in a diminution in value . . . Environmental contamination such as a leaking underground storage tank is one of the most common causes of stigma . . .

have the potential to create a market perception that lowers value . . . Measuring the effect of stigma on value can be difficult because the damage caused by stigma is not simply the cost to repair a defect. *Id.* pp 212-213.

In *Boekeloo v. Bd. of Review of City of Clinton*, 529 N.W.2d 275 (Iowa 1995), the Iowa Supreme Court examined the impact of groundwater contamination on the assessment of a property. The court stated that “environmental contamination will have some adverse effect on the value of the contaminated property” and noted that Iowa law requires assessors to consider any factor that may affect market value. *Id.* at 278 (citing *Barlett & Co. Grain v. Bd. of Review*, 253 N.W.2d 86, 88 (Iowa 1997)). The court held that the assessor must consider the contamination of the groundwater under the property as a factor in its valuation. *Id.*

The Board of Review argues that because the DNR has provided assurances that the current owner is not a “responsible party” and neither the current property owner nor any future property owner will be responsible for the costs of remediation, there is no impact on the property’s value and the Board of Review assessment should be affirmed. The Board of Review also contends the Appellant has provided no market data to support a contamination discount; let alone an increase in the contamination discount for the January 1, 2013, assessment date.

Executive contends that the Board of Review cannot justify its argument based on events and information, including the 2014 appraisal and DNR letters, which occurred after the assessment date. It argues there have been no changes to the property since PAAB’s last decision that would justify an increase of the property’s value to \$535,100 and Executive asks the Board to set the property’s assessment at Frandson’s valuation of \$450,000.

We find there is a sufficient logical and legal basis for the conclusion that a property’s fair market value may be impaired both by the actual contamination that exists on the property as well as the stigma that attaches to a property that is or has been contaminated. The initial 2013 assessment

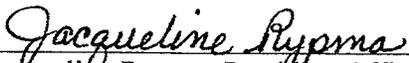
failed to account for either. Despite Arnold's testimony before PAAB, the Board of Review apparently agreed that a contamination adjustment was appropriate and applied a 15% adjustment to the subject property's land value. That adjustment was consistent with Frandson's testimony and appraisal in Executive's 2011 property assessment appeal before PAAB.

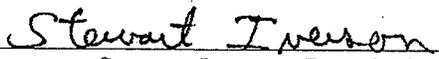
In this case, Frandson testified that a 25% adjustment was warranted because of the DNR's renewed interest in the subject property's contamination. The evidence before PAAB demonstrates that the DNR did not indicate its renewed interest in the property until, at the earliest, June 2013, well after the relevant assessment date of January 1, 2013. Prior to this, the testimony and exhibits suggest the DNR had not contacted Executive concerning the contamination since 2004. We note that neither Executive's protest to the Board of Review nor its Notice of Appeal to PAAB indicate the DNR had expressed a renewed interest in the property. As a result, it appears Frandson's adjustment increase from 15% to 25% is based entirely on events that occurred after the relevant assessment date. Therefore, we conclude that Frandson's appraisal should be modified to reflect a 15% contamination adjustment, which results in a final value conclusion of \$533,700 (rounded).

Viewing the evidence as a whole, we determine the preponderance of the evidence supports Executive's claim of over-assessment as of January 1, 2013. We, therefore, modify the Executive's property assessment as determined by the Board of Review.

THE APPEAL BOARD ORDERS that the January 1, 2013, assessment of the Express property located at 800 N Jefferson Way in Indianola, Iowa, determined by the Warren County Board of Review is modified and assessed at \$533,700.

Dated this 13th day of February, 2015.

  
Jacqueline Rypma, Presiding Officer

  
Stewart Iverson, Board Chair

  
Karen Oberman, Board Member

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AUDITOR

An Appraisal Report of

**Executive Laser Wash  
800 N Jefferson Way  
Indianola, Iowa**

Valuation Date

**May 15, 2014**

Prepared for

**Northwest Bank – West Des Moines  
c/o Independent Appraisal Management, LLC  
Ms. Christine Meggison  
28187 Prospect Avenue  
Adel, Iowa 50003**

Prepared by

**Tom Dowhan, MAI  
and  
Ted R. Frandson, MAI, CCIM**

**FRANDSON & ASSOCIATES, L.C.  
THE FINANCIAL CENTER  
666 WALNUT STREET, SUITE 1801  
DES MOINES, IA 50309**

Based on the analysis summarized in this report, the estimated hypothetical retrospective actual market value of the fee simple interest of the above described property, including wash equipment and assuming no contamination is present, as of May 15, 2014:

EIGHT HUNDRED SIXTY THOUSAND DOLLARS  
\$860,000

The market would recognize the current DNR contamination status as inferior to a clean property and also inferior to a contaminated property that had a "no further action required" status from the DNR. Financing professionals we contacted regarding the subject's contamination issues indicated the presence of contamination significantly restricts the ability to obtain bank financing for the purchase or re-financing of the subject property, which effectively decreases the pool of potential buyers for the subject. Consequently, the actual value of the property is lower with the present contamination than if there was no contamination present. It is difficult to estimate the precise discount the typical buyer would require to accept the risk of potential future remediation the DNR may initiate. Our research found no sales of contaminated car wash properties and the actual cost of potential remaining clean-up has not been estimated. Considering the potential expense of site testing/monitoring, legal costs to comply with future DNR action, and unknown variables, we estimate a minimum discount of 25 percent, and it is likely that the discount is greater than 25 percent. This discount is applied to the total hypothetical value with no contamination, including wash equipment in place, since the value of the equipment installed at the real estate is greater than the salvage value.

Based on the analysis summarized in this report, the estimated retrospective actual market value of the fee simple interest of the above described property, including wash equipment, and considering the existing contamination, as of May 15, 2014, does not exceed:

SIX HUNDRED FORTY-FIVE THOUSAND DOLLARS  
\$645,000

This appraisal report is intended to comply with the reporting requirements set forth under the Uniform Standards of Professional Appraisal. It presents discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended uses stated herein. The appraiser is not responsible for unauthorized use of this report.

The scope of work in this analysis includes the development of the Cost Approach, the Sales Comparison Approach, and the Income Approach. The scope of work utilized in the appraisal is adequate to develop a creditable valuation analysis and opinion of value.

This appraisal report is subject to the attached Assumptions and Limiting Conditions, including the Hazardous Material and Liability and Dispute disclaimers. Do not utilize this report unless you accept these assumptions and limiting conditions.

This appraisal complies with the Uniform Standards of Professional Appraisal Practice (USPAP) and FIRREA guidelines. This appraisal also meets the Northwest Bank commercial appraisal reporting guidelines.

We appreciate the opportunity to provide this real estate service.

Respectfully,

FRANDSON & ASSOCIATES, L.C.



Tom Dowhan, MAI



Ted R. Frandson, MAI, CCIM

214068

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### Addendum

Engagement Letter  
Qualifications of the Appraisers

### Summary

#### Property Identification

- Location - 800 N. Jefferson Way, Indianola, Iowa.
- Legal Description - The West 300 feet and the South 189 feet of Outlot 111, City of Indianola, Warren County, Iowa.

#### Ownership History (Three Years)

- Current Owner - Executive Laser Wash, Inc.
- Transferred From - Express Wash, Inc.
- Transfer Date - December 29, 2011
- Recording Data - Book 2012, Page 065
- Consideration - None
- Comments - This sale was between related parties.
- Offers - None
- Listings - None
- Leases - None

#### Assessed Valuation and Taxes

Assessed Value	<u>2013</u>	<u>2012</u>
Land	\$ 337,500	\$397,000
Improvements	<u>\$ 197,600</u>	<u>\$ 33,000</u>
Total	\$ 535,100	\$430,000
Annual Taxes	- \$19,079	\$15,331
Levy Rate	- 35.65461	35.65461
Parcel ID	- 48860001116	

### **Purpose and Intended Use of the Appraisal**

The purpose of the inspection and appraisal is to estimate the hypothetical retrospective actual market value of the fee simple interest of the above described property, including wash equipment and assuming no contamination is present, as of May 15, 2014; and to estimate the retrospective actual market value of the fee simple interest of the above described property, including wash equipment, but considering the existing contamination, as of May 15, 2014. Both value conclusions assume the condition of the property is similar to the time of inspection. The intended use of this appraisal is for financing purposes. The client and intended user of this report is Northwest Bank – West Des Moines. This appraisal is based on the current use of the property.

### **Definition of Market Value**

“The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus.

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- a. Buyer and seller are typically motivated;
- b. Both parties are well informed or well advised, and each acting in what he or she considers his or her best interest;
- c. A reasonable time is allowed for exposure in the open market;
- d. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- e. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.” (*Appraisal Institute, The Appraisal of Real Estate, Thirteenth Edition, 2008, pages 24-25*).

### **Scope of the Appraisal**

The scope of the appraisal assignment involves a physical inspection of the property, review and analysis of its sale and operating history, researching comparable sales and rentals, and analyzing all information to determine the market value defined in the appraisal report.

The subject property is identified using information provided by the owner or related party, and ownership information is verified through documents of public record. The property is then physically inspected by the appraiser, which includes examining the size, shape, topography, and accessibility of the subject site as well as other factors affecting its value. Zoning, access to public utilities, and other public influences are also researched. The building improvements are inspected to determine size, construction quality, finish,

functional utility, and current condition. Physical characteristics of the land and improvements are verified through public record and building plans, when available. A general inspection of the subject neighborhood is also completed to determine any characteristics which may affect the property. Demographic and economic information pertaining to the subject neighborhood and surrounding area is gathered using Census reports and economic publications.

Information regarding the previous sales of the subject property is obtained using public records and interviewing the present owner or related party. The subject neighborhood and other neighborhoods considered to be comparable are researched for comparable land and building sales, comparable rentals, and market rates which are pertinent to the appraisal assignment. Sales and rental information is verified through interviews with market participants and brokers as well as public sources. Additional market information is available through in-house data collected from previous assignments of similar properties.

All of the information is then used in determining the highest and best use of the property and the completion of the appropriate approaches to value. The Sales Comparison Approach is the primary analysis used in the valuation of land, however, income based methods may be used in the valuation process when applicable. The three approaches used in the valuation of land and improvements are the Cost Approach, Sales Comparison Approach, and Income Approach. Any arm's length lease agreements are analyzed and a leased fee value consideration is made when appropriate.

The final reconciliation of value is then based upon the analysis, with more consideration given to the valuation approaches that include the best market data and more conclusive analysis.

The scope of work in this analysis includes the development of the Cost Approach, the Sales Comparison Approach, and the Income Approach. The scope of work utilized in the appraisal is adequate to develop a creditable valuation analysis and opinion of value.

#### **Area and Neighborhood Analysis**

The City of Des Moines and the surrounding Metropolitan Area are located near the geographic center of the State of Iowa at the confluence of the Des Moines and Raccoon Rivers and at the intersection of Interstate 80 and 35. Des Moines is the county seat of Polk County and the state capital of Iowa. The Standard Metropolitan Statistical Area (SMSA) encompasses 1,728 square miles and includes Polk, Warren, and Dallas Counties. The suburb communities surrounding the City of Des Moines and making up part of the MSA include the cities of West Des Moines, Clive, Urbandale, Windsor Heights, Johnston, Waukee, Pleasant Hill, Ankeny, Altoona, Bondurant, Grimes, Polk City, Elkhart, Mitchellville, Norwalk, and Runnells.

The Des Moines MSA, with a 2010 census of 569,633, is the largest city in the State of Iowa and ranked 91<sup>st</sup> in the United States. The census for the State of Iowa equals 3,046,355, up from the 2000 census of 2,926,324.

The Des Moines metropolitan area has a relatively stable economy with steady growth in recent years. Similar trends are generally expected in the near future.

With a growing population, Indianola is located just minutes south of the capitol of Des Moines, Iowa and within 15 minutes of the Des Moines International Airport. The Highway 5 bypass provides convenient access to major interstate highways 35 and 80.

According to U.S. Census figures, Indianola population increased from 12,998 in 2000 to 14,782 in 2010. Indianola has maintained a low unemployment rate in recent years, comparable with the State of Iowa, as a whole. Major employers in Indianola include Simpson College, Wal-Mart, Hy-Vee, and the Alamo Group.

Another important measure of an area's economic strength is its household income. The median household income as of the last census for Indianola was \$52,230, and per capita income was \$19,574. Around 5.6% of families and 7.2% of the population were below the poverty line, including 9.3% of those under age 18 and 5.9% of those age 65 or older.

A neighborhood is a geographic area characterized by similarity of uses and/or users within which any significant change can have an effect on the subject property and its value. The essence of neighborhood analysis is to identify and forecast trends in that neighborhood which could influence the capacity of the subject property to generate net income, at least over the income projection period.

The subject neighborhood is the commercial and residential neighborhood in north Indianola. The subject is located along N. Jefferson Way and E. Girard Drive. N. Jefferson is the main north/south commercial artery in town and is also the route for Highway 65/69 through town. The majority of retail properties are located along Jefferson Way including Hy-Vee grocery, Wal-Mart, and various smaller retailers. The future trend for the subject neighborhood is for continued stability and occasional residential and commercial construction.

**Property Rights Appraised**

Fee Simple

**Date of Inspection**

March 11, 2014

**Date of Valuation**

May 15, 2014

**Owner Contact**

Amir Jeshani, Owner

## Site Summary

- Area - 56,715 SF
  - Shape - Generally Rectangular
  - Frontage
    - N. Jefferson Way - 190 Feet
    - E. Girard Ave - 300 Feet
    - Total - 453 Feet
  - Topography - Generally level
  - Street - N. Jefferson Way is a four-lane paved commercial artery. E. Girard is a two-lane neighborhood street.
  - Accessibility - Good
  - Soil/Subsoil - Although we have conducted no soil tests, the soil and subsoil are assumed to be adequate to support improvements which would represent the highest and best use of the subject site.
  - Utilities - All public utilities are available
  - Environmental Hazards/  
Visible Contaminants - This appraisal report is subject to the attached Assumptions and Limiting Conditions, including the hazardous material disclaimer.
- The subject site was formerly used for fuel sales, auto service and repair, at which time there were five underground storage tanks installed on the property. Upon excavation and removal of the tanks in 1991, it was determined that fuel oil had leaked from one of the tanks and contaminated the surrounding soil. The subject car wash building improvements were constructed in 1994. In 2003, the DNR initiated remediation efforts after installation of a public water line near the property raised contamination concerns on the subject site. Remediation action was put on hold in 2005, but a "No Further Action Required" status was not granted by the DNR. Upon contacting the DNR, we were informed levels of contamination present at the property were high enough to be considered "high risk", and depending on funding and staffing levels at the DNR office, future action to remediate the contamination may be initiated. The subject property owner indicates he has been contacted by the DNR office recently in order to resume testing on the subject site.
- Easements/Encroachments/  
Restrictions - Other than typical utility easements, no additional adverse easements or encroachments appear to affect the property.

As set forth in the Assumptions and Limiting Conditions, a title report has not been performed to determine if any deed restrictions exist.

- |                       |   |  |
|-----------------------|---|--|
| Flood Hazard          | - | The subject site is located in an area identified by FEMA as areas of low flood risk. Panel no. 19181C0285 E, dated March 2, 2009. |
| Zoning Classification | - | C-2  |
| Zoning Authority      | - | City of Indianola  |
| Zoning Requirements   | - | The C-2 district is intended for general retail and office uses. Please refer to zoning ordinance for additional details.          |

#### Highest and Best Use, As Vacant

After considering the legally permissible, physically possible, and financially feasible improvement alternatives it appears that the maximally productive use of the subject site, as vacant, is commercial.

#### Proposed Improvements Summary

- |                              |   |          |
|------------------------------|---|----------|
| Type                         | - | Car Wash |
| Gross Building Area          |   |          |
| Ground Floor                 | - | 5,200 SF |
| Second Floor Mechanical Area | - | 850 SF   |
| Vending Enclosure            | - | 187 SF   |
| Wash Bays                    |   |          |
| Manual                       | - | 3        |
| Automatic                    | - | 4        |
| Total                        |   | 7        |

#### Construction

Reinforced poured concrete foundation, footings, and floor. Concrete block load bearing walls and tile veneer. Wood framed roof structure and overhangs. Asphalt shingle roof cover. The center of the building contains an equipment room. The second floor mechanical area has minimal finish with adequate lighting. Floor heat in the building and in the wash apron. Overhead doors in each bay.

- |                      |   |                                    |
|----------------------|---|------------------------------------|
| Year of Construction | - | 1994; 330 SF east addition in 2004 |
|----------------------|---|------------------------------------|

Equipment and Mechanical	- Automatic car wash equipment is the Laserwash Touch-Free System with MaxAir dryers purchased from PDQ Manufacturing. Manual wash equipment includes foam brush. Eight vacuum stations.
Construction Quality	
Building	- Above Average
Site Improvements	- Average
Land Area Per Bay	- 8,102 SF
Site Improvements	
Vacuum Islands	- Four
Asphalt Paving	- 29,000 SF
Concrete Aprons	- 6,200 SF
Light Poles	- 5 units
Brick Trash Enclosure	- 144 SF
Condition	
Building and Mechanical	- Good
Site Improvements	- Good

### Highest and Best Use, As Improved

After considering the design and layout of the property, its location, and other factors analyzed above, it can be concluded that the highest and best use of the subject property, as improved, is for its continued use as a car wash.

### Environmental Problems

See Assumption and Limiting Conditions

### Rates/Ratios

Overall Capitalization Rate - 11.5% (From Income Approach)

### Approaches to Value - Including Equipment and Assuming No Contamination

Cost Approach	\$ 839,000
Sales Comparison Approach	\$ 840,000
Income Approach	\$ 879,000

**Final Estimate of Hypothetical Actual Market Value - Including Equipment and Assuming No Contamination**

Land	\$ 454,000
Improvements	\$ 204,409
Equipment	\$ <u>201,591</u>
Total	\$860,000

**Final Estimate of Actual Market Value - Including Equipment and Considering Existing Contamination**

Hypothetical Market Value	\$860,000
Less Contamination Discount (25%)	\$ <u>(215,000)</u>
Total	\$ 645,000

**Exposure Period**

An exposure period of approximately 12 months, assuming market pricing, is estimated for this type of property.

**Exposure Time Definition**

The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. Exposure time is different for various types of real estate and value ranges and under various market conditions. (Appraisal Standards Board of The Appraisal Foundation, Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions")

Market value estimates imply that an adequate marketing effort and reasonable time for exposure occurred prior to the effective date of the appraisal. In the case of disposition value, the time frame allowed for marketing the property rights is somewhat limited, but the marketing effort is orderly and adequate. With liquidation value, the time frame for marketing the property rights is so severely limited that an adequate marketing program cannot be implemented. (The Report of the Appraisal Institute Special Task Force on Value Definitions qualifies exposure time in terms of the three above-mentioned values.) See also marketing time.

Source: *The Appraisal Institute*  
*The Dictionary of Real Estate Appraisal, 4<sup>th</sup> Edition*