

05-0171  
Locally Assessed Property Tax  
Signed 01/23/2006

BEFORE THE UTAH STATE TAX COMMISSION

---

PETITIONER	)	<b>ORDER FROM INITIAL HEARING</b>
	)	
Petitioner,	)	Appeal No.    05-0171
	)	Parcel No.    #####
v.	)	
	)	Tax Type:    Property Tax/Locally
BOARD OF EQUALIZATION OF	)	Assessed
DAVIS COUNTY, UTAH,	)	Tax Year:    2004
	)	
Respondent.	)	Judge:       Rees

---

**Presiding:** Irene Rees, Administrative Law Judge

**Appearances:**

For Petitioner: PETITIONER REPRESENTATIVE, Petitioner’s Representative  
For Respondent: RESPONDENT REPRESENTATIVE 1, Appeals Supervisor, and  
                  RESPONDENT REPRESENTATIVE 2, Appraiser

**This order may contain confidential "commercial information" within the meaning of Utah Code Sec. 59-1-404, and is subject to disclosure restrictions as set out in that section and regulation pursuant to Utah Admin. Rule R861-1A-37. The rule prohibits the parties from disclosing commercial information obtained from the opposing party to nonparties, outside of the hearing process. However, pursuant to Utah Admin. Rule R861-1A-37, the Tax Commission may publish this decision, in its entirety, unless the property taxpayer responds in writing to the Commission, within 30 days of this notice, specifying the commercial information that the taxpayer wants protected. The taxpayer must mail the response to the address listed near the end of this decision.**

STATEMENT OF THE CASE

The subject property is the PARK 1 located at ADDRESS in CITY 1, Utah. The parties describe the mobile home park site as 12.17 acres with 86 established mobile home pads. At the hearing, the parties agreed that the park houses 7 pads/acre on average. The park has about 79% single-wide spaces and an on-site manager’s residence. The park has a “year built” date of 1973. The property was purchased in January of 2002 for \$\$\$\$\$. Thereafter, according to a 2003 letter to the County Assessor, Petitioner purchased 15 mobile homes to fill the vacant spaces and put an additional \$\$\$\$\$ improvements and upgrades in the 1500 sq. ft. clubhouse and the manager’s residence.

For the 2004 lien year, the County assessed this property at \$\$\$\$\$. The Board of Equalization reduced the value to \$\$\$\$\$. Petitioner is arguing for a reduction in value to \$\$\$\$\$. The County Assessor supplied an appraisal indicating a value of \$\$\$\$\$. This matter came before the Commission for an Initial Hearing on November 7, 2005.

### APPLICABLE LAW

With regard to an appeal of the assessed value, Petitioner has the burden to establish that the market value of the subject property is other than that as determined by the Board of Equalization. Utah Admin. R. R861-1A-7(G). To prevail in a real property tax dispute, the Petitioner must (1) demonstrate that the Board's assessment is in error, and (2) provide the Commission with a sound evidentiary basis for reducing the original valuation to the amount proposed by Petitioner. *Nelson V. Bd. Of Equalization of Salt Lake County*, 943 P.2d 1354 (Utah 1997). Where the County Assessor presents evidence of a value that is different from the value set by the Board, the Assessor has the same burden to provide a basis to support an adjustment.

### DISCUSSION

#### Income Approach

Both parties presented an income analysis to support their positions. Petitioner's income analysis is based on the actual cash flow statement for this property for the 2003 year. Using a gross income of \$\$\$\$\$; 0% vacancy; 40% expense rate; 3% reserves; and a %%% capitalization rate, Petitioner arrived at an indicated value of \$\$\$\$\$ (rounded).

The 2003 cash flow statement for this property, which was introduced by the Petitioner's representative, suggests a slightly different outcome than Petitioner's estimate of \$\$\$\$\$, but it is not significant. It appears that of 86 pads listed<sup>1</sup>, nine were vacant or generating no income.<sup>2</sup> The rental income from the remaining 77 occupied spaces indicates that the rent, on average, is about

---

<sup>1</sup> The rent roll runs from space 1 to space 84, but includes spaces 44A and 60A, accounting for two additional spaces that generate rent.

<sup>2</sup> Spaces 2, 6, 17, 19, 22, 24, 68, 76, and 82.

\$\$\$\$/pad/month. The income at full occupancy should be about \$\$\$\$.<sup>3</sup> The actual annual rental income for 2003 was \$\$\$\$\$, indicating an approximate 19% loss. Using a 19% vacancy and collection rate, the Petitioner's expense rate of 40% and Petitioner's cap rate of %%%%, the indicated value is \$\$\$\$.

Respondent's appraiser developed his income approach from comparable rents and he used informal surveys to derive his vacancy rate and expense ratio. Respondent estimated the rental income at about \$\$\$\$\$/pad/month. The income at full occupancy, then, is \$\$\$\$\$. However, this appraiser used a vacancy and collection loss rate of 10%, which he testified was derived from a telephone survey of other Davis County mobile home parks. The appraiser used a 35% expense rate, which is similar to that used by Petitioner, and a %%%% cap rate to arrive at an estimate of value of \$\$\$\$.

The factors that accounts for most of the difference in these opinions of value is the vacancy rate. The subject had an actual loss in 2003 of about 19%. The evidence indicates that the owner purchased the 15 mobile homes to move onto vacant spaces sometime before July of 2003. As Petitioner sells these mobile homes, the vacancy and collection loss may normalize to a rate less than 19%. On the other hand, Respondent's projection of a 10% vacancy and collection loss may be optimistic - at least in the short term. For the sake of argument, let us assume that the vacancy and collection loss will stabilize around 10%, but there is a 9% short term loss differential. Beginning with a PGI of \$\$\$\$\$ and applying a 10% vacancy and collection rate, a 40% expense rate and a %%%% cap rate results in a value of \$\$\$\$\$. Reducing that amount by a 9% of PGI to account for short-term rent loss yields a value of about \$\$\$\$\$ (rounded). Using the same approach, but substituting the Respondent's %%%% cap rate results in an estimated value of \$\$\$\$\$ (rounded). In any event, the income approach estimates, considered together, tend to support a value of about \$\$\$\$\$/pad, or \$\$\$\$\$ (rounded), which is close to Petitioner's purchase price.

### Sales Approach

Petitioner's representative presented the following sales:

---

<sup>3</sup> This property also generates additional income from storage and pet fees, deposits and late fees. For purposes of this illustration, these fees are not included in the calculations.

- #1 PARK 2, CITY 1. This property, which is the subject of a separate appeal, sold in 2002 for about \$\$\$\$\$/pad. An income analysis of that property indicates that its value is approximately \$\$\$\$\$/pad. This is a strong comparable sale.
- #2 PARK 3, CITY 2. This property sold 1996 for about \$\$\$\$\$/pad. Even assuming that this park is similar to the subject, this nearly 10 year old sale sheds little light on the value of the subject.
- #3 PARK 4, CITY 3. This property sold in 1996 for about \$\$\$\$\$/pad. Without some reasonable time adjustment, this comparable is not strong evidence of the value of the subject property.
- #4 PARK 5, CITY 4. This property sold in 1994 for \$\$\$\$\$/pad, but we have no indication of a reasonable time adjustment.

Except for comparable #1, these sales offer very weak evidence of the value of the subject property. However, they do tend to support Petitioner's assumptions concerning the expense ratio and cap rate that she used in her income approach.

Respondent's appraiser offered four comparables as follows:

- #1 PARK 6, CITY 5. This property sold in 2003 for \$\$\$\$\$/ pad. The appraiser views this property as somewhat inferior to the subject and adjusted the sales price to \$\$\$\$\$/pad.
- #2 PARK 7, CITY 6. This property sold in January of 2002 for \$\$\$\$\$/pad. The appraiser considers this property to be superior to the subject and adjusted the price to \$\$\$\$\$/pad.
- #3 PARK 8, CITY 1. This property sold in late 2001 for \$\$\$\$\$/pad. The appraiser considers this property to be superior to the subject, so he adjusted the sales price to \$\$\$\$\$/pad.
- #4 PARK 9, CITY 7. This property sold in 2000 for \$\$\$\$\$/pad. The appraiser made no adjustments to this sale.

Based on these comparables, the County's appraiser estimated the subject property's value at \$\$\$\$\$/pad, or \$\$\$\$\$. The County's appraiser recognized that, for the most part, the comparables are superior to the subject property, so he made adjustments. However, the appraiser's adjustments may be too conservative. Consider comparable sale #2, for instance. This property sold in January 2002 for \$\$\$\$\$/pad. At the same time, Petitioner purchased the subject for \$\$\$\$\$/pad. We note that Petitioner immediately invested in 15 mobile homes to fill the vacant spaces and made repairs to the

manager's quarters and clubhouse, so the condition of the subject property may have improved somewhat between 2002 and the 2004 lien date. Nevertheless, the subject property has experienced an extraordinary vacancy and collection loss compared to the parks that Respondent surveyed. The rent rates appear to be market rates and there is no evidence that the subject's high vacancy and collection loss is driven by poor management. We presume, then, that the park's condition, location, amenities and other factors explain the differences between the subject and other parks that sold for as much as \$\$\$\$\$/pad.

Of course, the Respondent's appraiser made adjustments to his comparable sales, but he also recommended a value for the subject that is higher than the adjusted values of two properties that he identified as superior (comparables #2 and #3). For that matter, he suggests a value higher than the actual sale price of comparable #2. Finally, the appraiser overlooked the PARK 2 sale (Petitioner's comparable #1), which is fairly similar to the subject. That property sold for less than \$\$\$\$\$/pad.

Respondent's comparables appear to have superior amenities, including pools and recreation areas. The differences in the quality of on-site manager's quarters from one park to another may justify additional adjustment. The Commission is concerned that the appraiser's 5%-10% adjustments do not sufficiently account for the differences between the comparables and the subject property.

On the other hand, Petitioner has not persuaded the Commission to lower the value of this property to \$\$\$\$\$/pad. The purchase price and income potential of the subject and the PARK 2 comparable suggest a value of about \$\$\$\$\$-\$\$\$\$\$/pad. This per pad value results in an overall value that is about the same as Petitioner's 2002 purchase price. We note that Respondent's appraiser made no time adjustments on his sales dating back to 2001, indicating his opinion that the market has remained flat over that time. That further supports a finding that the market value of this property has not substantially increased since Petitioner purchased it. The Commission finds that \$\$\$\$\$/pad is a reasonable fair market value for this property.

#### DECISION AND ORDER

On the evidence and testimony presented, the Commission finds the fair market value of the subject property to be \$\$\$\$\$ as of the 2004 lien date.

This decision does not limit a party's right to a Formal Hearing. However, this Decision and Order will become the Final Decision and Order of the Commission unless any party to this case files a written request within thirty (30) days of the date of this decision to proceed to a Formal Hearing. Such a request shall be mailed to the address listed below and must include the Petitioner's name, address, and appeal number:

Utah State Tax Commission  
Appeals Division  
210 North 1950 West  
Salt Lake City, Utah 84134

Failure to request a Formal Hearing will preclude any further appeal rights in this matter.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 2006.

\_\_\_\_\_  
Irene Rees, Administrative Law Judge

BY ORDER OF THE UTAH STATE TAX COMMISSION.

The Commission has reviewed this case and the undersigned concur in this decision.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 2006.

Pam Hendrickson  
Commission Chair

R. Bruce Johnson  
Commissioner

Palmer DePaulis  
Commissioner

Marc B. Johnson  
Commissioner

*IR/05-0171.boe.ini*