

05-0858
Locally Assessed Property Tax
Signed 06/05/2006

BEFORE THE UTAH STATE TAX COMMISSION

PETITIONER,)		
	)	ORDER	
Petitioner,)		
	)	Appeal No.	05-0858
v.)		
	)	Parcel No.	#####
BOARD OF EQUALIZATION	)	Tax Type:	Property Tax/Locally Assessed
OF SALT LAKE COUNTY,	)	Tax Year:	2004
STATE OF UTAH,)		
	)	Judge:	Chapman
Respondent.)		

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.

Presiding:

Kerry R. Chapman, Administrative Law Judge

Appearances:

For Petitioner: No one appeared

For Respondent: RESPONDENT REPRESENTATIVE, from the Salt Lake County Assessor's Office

STATEMENT OF THE CASE

This matter came before the Commission for an Initial Hearing pursuant to the provisions of Utah Code Ann. 59-1-502.5, on May 31, 2006. COMPANY withdrew as the Petitioner's representative in a letter dated January 19, 2006. Although notified of the date and time of the hearing, the Petitioner failed to appear at the hearing, either in person or by telephone. For this reason and in accordance with Utah Code Ann. §63-46b-11(4)(a), the Commission issues an Order of Default against the Petitioner and has conducted the

Initial Hearing without the participation of the Petitioner and without considering any evidence that the Petitioner might have proffered at the hearing.

At issue is the fair market value of the subject property as of January 1, 2004. The subject property is a converted four-unit residential property located at ADDRESS 1 in CITY, Utah. For the 2004 tax year, the County Assessor assessed the property at \$\$\$\$\$, or approximately \$\$\$\$\$ per unit, a value that the Salt Lake County Board of Equalization (“County BOE”) sustained.

The subject property consists of 0.14 acres of land and a two-story building that was constructed in 1904 and has four apartments of approximately 450 square feet each (a total of approximately 1,800 rentable square feet). The four apartments are all one-bedroom, one-bath units and as of the lien date, had not been updated in decades. The County proffered that the tenants were paying \$\$\$\$\$ a month in rent for the apartments and that at least two of the tenants had lived there for many years.

The County submitted an appraisal prepared by RESPONDENT REPRESENTATIVE, an appraiser with the County Assessor’s office. In her appraisal, RESPONDENT REPRESENTATIVE concluded that the subject property had a fair market value of \$\$\$\$\$ for the 2004 tax year. RESPONDENT REPRESENTATIVE asked the Commission to increase the \$\$\$\$\$ value sustained by the County BOE to the \$\$\$\$\$ value she derived in her appraisal.

In RESPONDENT REPRESENTATIVE’S appraisal, she estimated the subject’s value using the cost approach, the market approach, and the income approach. She determined a value of \$\$\$\$\$ using the cost approach, but stated that she considered this approach the least reliable approach because of the age of the property’s improvements, which are over 100 years old. She stated that the market approach, with which she estimated a value of \$\$\$\$\$ (\$\$\$\$\$ per unit), and the income approach, with which she estimated a value of

\$\$\$\$ (\$\$\$\$ per unit), are more reliable approaches under these circumstances. Based on the values derived with these latter two approaches, she concluded that the subject would have a value of \$\$\$\$ as of the lien date.

Market Approach. In RESPONDENT REPRESENTATIVE'S market approach, she compared the subject to four multi-unit apartment complexes that sold in the "(X)" area of CITY. These properties sold from \$\$\$\$ for a three-unit complex (\$\$\$\$ per unit) to \$\$\$\$ for a six-unit complex (\$\$\$\$ per unit). The other two comparables were a four-unit complex that sold for \$\$\$\$ (or \$\$\$\$ per unit) and a five-unit complex that sold for \$\$\$\$ (\$\$\$\$ per unit). When adjusted for time, all four comparables show a price per unit ranging from \$\$\$\$ to \$\$\$\$. RESPONDENT REPRESENTATIVE made several other adjustments, as well, and concluded that the subject property would have a value of approximately \$\$\$\$ per unit.

A \$\$\$\$ per unit estimate for the subject appears high from the evidence the County submitted. None of these properties sold for more than \$\$\$\$ per unit, or after the time adjustments are made, \$\$\$\$ per unit. Given the age and condition of the subject property, it appears unlikely that it would sell for \$\$\$\$ to \$\$\$\$ per unit more than all of the comparable sales in the appraisal. Furthermore, in the County BOE information that the County provided, a six-unit complex only one block from the subject sold for \$\$\$\$, even though its apartments rented at \$\$\$\$ per month on average, a rent that is higher than the subject's actual rental rents. While this latter comparable would suggest that the current \$\$\$\$ value may be reasonable or even high, it could also be an anomaly, as it is the only market evidence proffered by the County to suggest a value that is less than \$\$\$\$ per unit (or a total value of \$\$\$\$ for the subject).

Income Approach. For her income approach, RESPONDENT REPRESENTATIVE determined a value of \$\$\$\$ for the subject property, based on a 9.4 gross rent multiplier ("GRM") and a

market rent of \$\$\$\$\$ per year (which equates to \$\$\$\$\$ per month per unit). The information used to derive the various GRMs in the appraisal was not provided for review. However, a 9.4 GRM appears to be in the range of the GRMs on the County's comparables that it submitted to the BOE, which ranged from 8.64 to 10.15.

RESPONDENT REPRESENTATIVE included a rent study in her appraisal and concluded that the subject's actual rental rate of \$\$\$\$\$ per month for a one-bedroom, one-bath unit was below market. In her appraisal, she included the rents of seven three-unit and four-unit complexes within several miles of the subject property and concluded that a market rent for the subject's units should be \$\$\$\$\$ per month. The only rental information below this amount are the \$\$\$\$\$ per month rents for the four-unit complex on ADDRESS 2 and, from the information the County provided the BOE, the \$\$\$\$\$ per month rents for the six-unit complex that is one block from the subject property.

If the 9.4 GRM is applied to the subject's actual rent of \$\$\$\$\$ per unit, the income approach would result in a value of \$\$\$\$\$ for the subject. If the 9.4 GRM is applied to the \$\$\$\$\$ per unit rental rate of the six-unit complex that is one block from the subject, the income approach would result in a value of \$\$\$\$\$. However, only two of the 11 comparables discussed at the hearing rent for less than the \$\$\$\$\$ per month per unit market rent that RESPONDENT REPRESENTATIVE concluded for the subject property. For these reasons, the Commission finds that her use of the \$\$\$\$\$ per month market rent for the subject property appears reasonable and, as a result, that her income approach value of \$\$\$\$\$ for the subject property appears reasonable.

APPLICABLE LAW

Utah Code Ann. §59-2-1006(1) provides that “[a]ny person dissatisfied with the decision of the county board of equalization concerning the assessment and equalization of any property, or the determination of any exemption in which the person has an interest, may appeal that decision to the

commission”

Any party requesting a value different from the value established by the County BOE has the burden to establish that the market value of the subject property is other than the value determined by the county board of equalization.

For a party who is requesting a value that is different from that determined by the County BOE to prevail, that party must (1) demonstrate that the value established by the County BOE contained error, and (2) provide the Commission with a sound evidentiary basis for reducing the value established by the County BOE to the amount proposed by the party. *Nelson V. Bd. Of Equalization of Salt Lake County*, 943 P.2d 1354 (Utah 1997), *Utah Power & Light Co. v. Utah State Tax Commission*, 530 P.2d. 332 (Utah 1979).

DISCUSSION

Based on the evidence submitted by the County, the Commission finds that the County has called into question the \$\$\$\$ value established by the County BOE and has shown that a more reasonable estimate of value for the subject property, as of January 1, 2004, is \$\$\$\$.

DECISION AND ORDER

Based upon the foregoing, the Tax Commission issues an Order of Default against the Petitioner. Furthermore, based upon the evidence proffered by the County, the Commission finds that the fair market value of the subject property for the 2004 tax year should be increased from \$\$\$\$\$, as established by the County BOE, to \$\$\$\$\$. The Salt Lake County Auditor is ordered to adjust its records in accordance with this decision. It is so ordered.

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

Appeal No. 05-0858

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.

Kerry R. Chapman
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

KRC/05-0858.int