

06-1653  
Property Tax/Locally Assessed Residential  
Signed 07/11/2007

BEFORE THE UTAH STATE TAX COMMISSION

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PETITIONER,	)	<b>INITIAL HEARING ORDER</b>
	)	
Petitioner,	)	Appeal No.    06-1653
	)	Parcel No.    #####-1, #####-2,
	)	#####-3, #####-4
v.	)	
	)	Tax Type:    Property Tax/Locally Assessed
BOARD OF EQUALIZATION OF	)	Residential
UINTAH COUNTY, UTAH	)	Tax Year:    2006
	)	
Respondent.	)	Judge:       Hendrickson, B. Johnson

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**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 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 order, specifying the commercial information that the taxpayer wants protected.**

**Presiding:**

Pam Hendrickson, Commission Chair  
Bruce Johnson, Commissioner

**Appearances:**

For Petitioner:    PETITIONER REPRESENTATIVE 1  
                    PETITIONER REPRESENTATIVE 2

For Respondent:  RESPONDENT REPRESENTATIVE 1, Assessor, Uintah County  
                    RESPONDENT REPRESENTATIVE 2, Deputy Auditor, Uintah  
                    County  
                    RESPONDENT REPRESENTATIVE 3, Deputy Uintah County  
                    Assessor  
                    RESPONDENT REPRESENTATIVE 4, Uintah County Contract  
                    Appraiser  
                    RESPONDENT REPRESENTATIVE 5, Deputy Uintah County  
                    Attorney

STATEMENT OF THE CASE

Petitioner brings this appeal from the decision of the Uintah County Board of Equalization. This matter was argued in an Initial Hearing pursuant to the provisions of Utah Code Ann. Sec. 59-1-502.5, on. Petitioner is appealing the assessed value as established for the subject property by Uintah County Board of Equalization. The lien date at issue is January 1, 2006.

APPLICABLE LAW

All tangible taxable property shall be assessed and taxed at a uniform and equal rate on the basis of its fair market value, as valued on January 1, unless otherwise provide by law. (Utah Code Ann. Sec. 59-2-103 (1).)

“Fair market value” means the amount at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of the relevant facts. (Utah Code Ann. 59-2-102(12).)

(1) Any 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 by filing a notice of appeal specifying the grounds for the appeal with the county auditor within 30 days after the final action of the county board. . . . (4) In reviewing the county board’s decision, the commission shall adjust property valuations to reflect a value equalized with the assessed value of other comparable properties if: (a) the issue of equalization of property values is raised; and (b) the commission determines that the property that is the subject of the appeal deviates in value plus or minus 5% from the assessed value of comparable properties. (Utah Code Ann. Sec. 59-2-1006(1)&(4).)

To prevail in a real property tax dispute, the Petitioner must (1) demonstrate that the County's original assessment contained 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).

DISCUSSION

The subject property consists of four adjoining parcels of land improved by a motel. The parcel numbers and the values determined by the Board of Equalization are as follows:

<u>Parcel</u>	<u>Acreage</u>	<u>Land</u>	<u>Improvements</u>	<u>Total</u>
#####-1	0.19	\$\$\$\$	\$\$\$\$	\$\$\$\$
#####-2 <sup>1</sup>	0.34	\$\$\$\$	\$\$\$\$	\$\$\$\$
#####-3	0.44	\$\$\$\$	\$\$\$\$	\$\$\$\$
#####-4	<u>0.18</u>	<u>\$\$\$\$</u>	<u>\$\$\$\$</u>	<u>\$\$\$\$</u>
Total		\$\$\$\$	\$\$\$\$	\$\$\$\$

Petitioner believes the property should be valued at about \$\$\$\$.

The motel is a ##### unit motel, constructed in 1961. The Board of Equalization values were based on a cost approach submitted by the Assessor. The cost approach indicates an effective age of 28 years and allows a 52% reduction for Parcel #####-2, and an effective age of 24 years and 38.3% depreciation for Parcel #####-3. At the hearing, the County supported this value with testimony from RESPONDENT REPRESENTATIVE 4 who testified that an income approach is preferable for such properties, when feasible. Using a “Revpar” model, and a 3.25 gross rent multiplier (“GRM”), RESPONDENT REPRESENTATIVE 4 determined a value per room of \$\$\$\$\$, for a total value of about \$\$\$\$\$. This value supports the value under the cost approach for parcels #####-2, #####-3 and #####-4. Parcel #####-1 was backage and was not considered part of the economic unit for these purposes.

Petitioner did not challenge the cost approach, other than to note that he purchased the property in 2004 for \$\$\$\$\$. Moreover, he agreed that an income approach was

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<sup>1</sup> The Notice from the Uintah County Board of Equalization appears to contain an error in that the Improvements on this parcel are valued at \$\$\$\$\$, whereas the underlying documentation indicates a value of \$\$\$\$\$. The higher number corresponds to the total value for the property (\$\$\$\$\$) and we believe that is the number determined by the Board.

often used in valuing such properties. He provided reports showing gross revenue of about \$\$\$\$ for 2003, about \$\$\$\$ for 2004 and about \$\$\$\$ for 2005. Because of the maintenance required for an older property, Petitioner argued that a GRM of 2.5 was appropriate. Applying a GRM of 2.5 to this revenue stream would support a value, in his opinion, of \$\$\$\$ to \$\$\$\$ for the entire property, including tangible personal property.

The primary difference between the parties is the appropriate GRM. Petitioner's GRM was testified to by WITNESS, a credible witness with extensive experience in the motel industry. RESPONDENT REPRESENTATIVE 4's GRM, in addition to being supported by his expert testimony, was also supported by sales information from 14 motel sales in Utah during 2004 and 2005. That summary showed GRM's ranging from 2.26 to 3.64, with an average of 3.05. The four highest GRM's are for properties in CITY 1 and CITY 2, and are much newer than the subject. The 2.26 GRM is a CITY 3 property, originally constructed in 1950. If the four highest properties, and the lowest outlier are excluded, however, the average GRM is still about 3.0. Accordingly, we find that a GRM of 3.0 is reasonable for this property.

We must next decide what income stream to apply. The gross revenue for 2005, the year preceding the lien date, was \$\$\$\$\$. The gross revenue for 2004 was \$\$\$\$\$, and the revenue for 2003 was \$\$\$\$\$. The uncontroverted evidence, however, was that CITY 3 was experiencing an energy boom and that that boom was apparent before the lien date. Accordingly, we believe it is appropriate to weight the later numbers more heavily. We believe a determination based on annual revenue of \$\$\$\$\$ is fully supported by the evidence in this case. Applying a GRM of 3.0 to normalized gross revenue of \$\$\$\$\$ would result in a total value of \$\$\$\$\$. We believe the necessary reduction should be applied to the improvements, rather than the land. Parcel #####-1 is not part of this economic unit and its value remains unchanged.

Accordingly, we find the fair market value of the parcels in issue to be as follows:

<u>Parcel</u>	<u>Land</u>	<u>Improvements</u>	<u>Total</u>
#####-1	\$\$\$\$\$	\$\$\$\$\$	\$\$\$\$\$
#####-2	\$\$\$\$\$	\$\$\$\$\$	\$\$\$\$\$
#####-3	\$\$\$\$\$	\$\$\$\$\$	\$\$\$\$\$
#####-4	\$\$\$\$\$	\$\$\$\$\$	\$\$\$\$\$
Total	\$\$\$\$\$	\$\$\$\$\$	\$\$\$\$\$

DECISION AND ORDER

Based upon the foregoing, the Tax Commission finds that the value of the subject property as of January 1, 2006, is \$\$\$\$\$ as indicated above. The Uintah County Auditor is hereby ordered to adjust its records in accordance with this decision.

This Decision does not limit a party's right to a Formal Hearing. Any party to this case may file 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 \_\_\_\_\_, 2007.

\_\_\_\_\_  
Pam Hendrickson  
Commission Chair

\_\_\_\_\_  
R. Bruce Johnson  
Commissioner

BY ORDER OF THE UTAH STATE TAX COMMISSION.

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

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 2007.

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Marc B. Johnson  
Commissioner

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D'Arcy Dixon Pignanelli  
Commissioner

PH/int