IN THE MAGISTRATE DIVISION

OF THE OREGON TAX COURT

Small Claims

Property Tax

ALLAN AND NATALIE ROLF, Plaintiffs,	)	No. 000238F
v.	)	
LINCOLN COUNTY ASSESSOR, Defendant.	)	**DECISION AND JUDGMENT**

This matter is before the court on plaintiffs' appeal of the real market value of a single family residence for tax year 1999-00. The court held a case management conference which was converted to a trial on May 9, 2000. Allan Rolf appeared for plaintiffs. Shawn Wylie appeared for defendant. The property is identified as Lincoln County Assessor's Account No. R246168.

STATEMENT OF FACTS

The property at issue is a modest ranch-style home located in Newport. It was built in 1975 and contains three bedrooms. The home is heated by a wood stove and electric wall heaters. It has vinyl siding that covers siding commonly known as T-111 siding.

The property was abandoned by prior owners in the fall of 1998. It had been neglected by them for some time prior to their abandonment. In January of 1999 the prior owners' lending institution foreclosed on the property. After clearing the title of some other liens, the property was listed with a realtor for $68,000. Plaintiffs had previously asked a local realtor to let them know when the property was offered for sale. Plaintiffs purchased the property for $62,000. Mr. Rolf testified that the outstanding mortgage was greater than their purchase price of $62,000.

Mr. Rolf testified that when plaintiffs took possession of the home there were carpets with pet stains, holes in the walls and doors, disconnected plumbing and drowned rats in the sink. He argued that the property was "useless as a residence and not habitable" and could even be valued at the lot value less the cost to demolish the house. Since purchasing the home plaintiffs have spent approximately $8,200 to make it habitable. It is currently rented for $625 a month. The rent includes water service and grounds maintenance.

Mr. Wylie argued that plaintiffs' purchase of the home was not a market transaction. He argued that the lending institution was not in the business of selling property and wanted to dispose of the property as quickly as possible. He testified that the home was listed for only 16 days before plaintiffs purchased it. The property was physically reappraised and inspected for tax year 1999-00. At that time defendant lowered the real market value of the home to its current $83,660. Mr. Wylie argued that defendant's physical reappraisal of the property took into account the deferred maintenance issues.

Mr. Wylie argued that the rent of $625 per month supports the current real market value of the home. He testified that there were 63 confirmed sales of residential rental property in Lincoln County. He testified that in valuing residential rental property, an investor would typically use a gross rent multiplier to determine the value of the property. In other words, the gross rent multiplier is multiplied by the monthly rent to estimate the value. In the confirmed sales of residential rental property the gross rent multiplier varied with the low end being a gross rent multiplier of 147. This method of estimating value would indicate a value of $91,875 for the property.

Mr. Wylie testified that foreclosed homes typically sell at a significant discount to assessed value. He testified that between January 1, 1998, and December 31, 1998, there were 50 sales in Lincoln County where the lending institution had foreclosed on the property. He testified that 48 of those sales sold below the assessed value by an average of 37%. In all confirmed sales in Lincoln County, the sales price was within an average of one percent of the assessed value. The subject property sold for 37.6% less than its maximum assessed value and 25.9% less than its real market value.

COURT'S ANALYSIS

The property sold within 16 days of being listed with a realtor. In the court's experience, properties that sell quickly typically sell very close to the listing price. Here the property sold for $6,000 less than the listing price, a substantial discount from the $68,000 listing price. The court agrees that the lending institution wanted to dispose of the property as quickly as possible. Mr. Wylie's testimony relating to the gross rent multiplier and the typical discount from assessed value when a property is sold by a lending institution are also evidence that plaintiffs' purchase of the property was not a market transaction.

Plaintiffs failed to persuade the court that the sale price was an accurate reflection of market value. Plaintiffs did not offer a comparable sales analysis or appraisal to support the sale price as market value.

CONCLUSION

Plaintiffs' purchase of the property was not a market transaction. Plaintiffs' request for a reduction in real market value is not supported by the evidence, the sale price notwithstanding.

IT IS HEREBY ADJUDGED AND DECREED that plaintiffs' appeal is denied.

Dated this _____ day of May, 2000.

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SALLY L. KIMSEY
MAGISTRATE

THIS DOCUMENT WAS SIGNED BY MAGISTRATE SALLY L. KIMSEY ON MAY 24, 2000. THE COURT FILED THIS DOCUMENT ON MAY 24, 2000.