

IN THE MAGISTRATE DIVISION
OF THE OREGON TAX COURT
Property Tax

RAJANIKANT PATEL, ET AL,)
)
 Plaintiffs,) No. 000576B
)
 v.)
)
 MULTNOMAH COUNTY ASSESSOR,)
)
 Defendant.) **DECISION**

At issue is the assessment, for the 1999-2000 tax year, of real property located in Multnomah County and identified by account number R-209412. Mr. Patel, the owner of the property, and James Ryan, his representative, presented plaintiff's' case. Defendant appeared through its employees, Richard Sanderman and Richard Deich.

STATEMENT OF FACTS

This property is the Econo Lodge Motel located at 405 NE Columbia Blvd. in Portland. A three story wood frame motel of sixty rooms built in 1982, the assessed value in controversy is \$1,167,240.

Defendant pointed out this amount is less than the price plaintiffs paid to acquire the property in July of 1999. Referencing first and second trust deeds as to the subject property, defendant showed plaintiffs purchased the property for a stated consideration of \$1,550,000, which, when reduced by the value of the ancillary personal property included in the transaction, showed an allocated value of \$1,476,770.

Defendant went on to reference three other sales of similar motels, the Westerner, approximately two miles away at 4333 N. Interstate; the Capri, some five miles away at 1530 NE 82nd Ave.; and the Rodeway, about 3.5 miles distant at 3800 NE Sandy Blvd. All

of these properties are older than the subject; some were of inferior condition and with a history of criminal activity. After dividing each motel's selling price by the number of its rooms to arrive at per room values from \$25,948 to \$30,703, defendant showed that at the real market value of \$1,476,770 the subject property was below the bottom of this range.

Defendant's last proof was to present an income approach. Using an average daily room rate of \$30, an occupancy rate of 55%, operating expenses at 50%, and a capitalization rate of 10.5%, defendant, after again subtracting an allocation for personal property, arrived at a real market value of \$1,486,800.

Plaintiffs, for their part, presented their experience in operating the motel for over a year. Their history shows revenues, and expenses, for the subject property respectively less, and greater, than that used by Multnomah County in its income approach. Plaintiffs present \$1,015,532 as the value at which they would be taxed.

COURT'S ANALYSIS

Plaintiffs would have the roll value of their motel lowered to \$1,015,532, an amount less than what they paid to acquire the property and a sum within 15% of the property's assessed value. That is a challenging task. Defendant's proofs showed the roll value of the property is consistent, not only with the selling prices of motels of comparable, or perhaps even inferior condition and reputation, but also with an income approach done looking to the revenues, expenses, and rates of motels similar to the subject.

Plaintiffs' strongest point is that their actual experience operating the property is not producing the income consistent with its valuation for property tax purposes. The particular problem with plaintiffs' presentation is that their history of operations was less than two years. If an income approach is used, it must be based on enough historical data so that a

stabilized income can be determined with confidence. Most experts believe that three to five years, preferably longer, of income experience are needed to make such an estimate. *Shields v. Dept. of Rev.*, 266 Or 461, 513 P2d 784 (1973) and *Valley River Center v. Dept. of Rev.*, 6 OTR 368 (1976). Plaintiffs' proof is insufficient.

CONCLUSION

IT IS THE DECISION OF THIS COURT that plaintiffs' appeal must be denied.

Dated this _____ day of May, 2001.

SCOT A. SIDERAS
PRESIDING MAGISTRATE

IF YOU WANT TO APPEAL THIS DECISION, FILE A COMPLAINT IN THE REGULAR DIVISION OF THE OREGON TAX COURT, FOURTH FLOOR, 1241 STATE ST., SALEM, OR 97301-2563. YOUR COMPLAINT MUST BE SUBMITTED WITHIN 60 DAYS AFTER THE DATE OF THE DECISION OR THIS DECISION BECOMES FINAL AND CANNOT BE CHANGED.

THIS DOCUMENT WAS SIGNED BY MAGISTRATE SCOT A. SIDERAS ON MAY 23, 2001. THE COURT FILED THIS DOCUMENT ON MAY 23, 2001.