IN THE MAGISTRATE DIVISION
OF THE OREGON TAX COURT
Property Tax

SAMUEL E. ALLEN and ANITA M. ALLEN,	)	
	)	
Plaintiffs,	)	No. 010567D
	)	
v.	)	
	)	
CLACKAMAS COUNTY ASSESSOR,	)	
	)	
Defendant.	)	**DECISION**

Plaintiffs appeal the real market value of their property identified as Clackamas County Assessor's Account No. 00429450 for tax year 2000-2001. A trial was held on Thursday, November 8, 2001, at the Clackamas County Office of Assessment and Taxation, Oregon City, Oregon. Mr. Sam Allen, owner of the subject property (a motel), appeared on behalf of Plaintiffs. Mr. Jack Leeman, Certified Appraiser, testified on behalf of Plaintiffs. Mr. John Taylor, Appraiser II, appeared on behalf of Defendant.

STATEMENT OF FACTS

Plaintiffs own three motels in Clackamas County, Oregon. The motels are located in close proximity to each other at the Sunnyside Road and Interstate 205 junction. Plaintiffs have appealed the real market value of each motel. Even though each appeal was assigned a separate case number, the court tried all three cases at one time.[1] The motel under appeal in this case is the Sunnyside Inn.

Mr. Allen recounted for the court the history of the Sunnyside Inn. The Sunnyside Inn was built in 1980 on 3.19 acres of land. Rooms available for rent total 141. The Sunnyside Inn does not offer food service nor conference facilities. Mr. Leeman categorized the Sunnyside Inn as a limited service motel. It is affiliated with the Best

[1] For reference, the other two cases are 010568D and 010569D.

Western motel chain and uses its national reservation system. Mr. Allen testified that the motel is managed by a general manager who has been working for him for 20 years.

When the Interstate 205 bridge was completed a couple years after the motel was built, Mr. Allen testified that his business increased and was steady for the next 12 to 13 years. Within the last four to five years, Mr. Allen testified that business was no longer steady nor increasing. He testified that hotel rooms in the Portland area have jumped to 21,116 from 10,500. Within the last three years, Mr. Allen testified that over 4,400 rooms have been added. In the last two years, he testified that three new motels, all within 2 miles or less of his property, have opened or expanded. The three motels are: Marriott Courtyard with 150 rooms; Oxford Suites with 100 rooms and Comfort Inn with 50 rooms. As a result of the increased competition, he testified that his sales team has to work harder to market and rent the motel rooms, offering substantial room rate discounts. While the advertised room rates varied from $59 to $82, Mr. Allen testified that the average room rate in 1999 was $59. From 1998 to 1999, revenue dropped 11 percent and in the next year from 1999 to 2000, revenue dropped an additional 17 percent. (Ptfs' Ex 1 at 18A.)

With the economy at its current low point, Mr. Allen testified that "there is no net income." He explained that he has consolidated some operations, such as laundry services for all motels, at one of his three motels in an effort to reduce expenses. Mr. Allen testified that with an occupancy rate of 45 percent or lower, the motel does not generate enough cash to "pay debt service on the property."

Mr. Leeman's initial testimony focused on the "uniqueness of a hotel as an investment alternative." (Ptfs' Ex 2.) He called the court's attention to the fact that hotels and motels must continually sell their services in contrast to other commercial properties that can lock tenants into leases of varying terms to produce "relatively secure" and stable income. (*Id*. at 1.) He testified that hotels and motels have a higher vulnerability to changes in the economy. Mr. Leeman reviewed forecasted trends for hotel values. (Ptfs' Ex 3.) He quoted from a recent opinion article to support Mr. Allen's financial information that even before the September 11, 2001, tragedy, hotels "were experiencing a softening of occupancy and average rate as the economy slowed and a recession neared." (*Id.* at 1.) The article concluded that as a whole the nation's hotel values will fall in the "near-term" with a recovery in 2002 and "[o]ver the long-term, hotel values will increase to levels at or above those achieved in the past three years." (*Id*. at 4-5.)

Mr. Leeman testified that in valuing a hotel property it is extremely important to consider the local markets rather than solely looking to the regional or national trends. (*Id*. at 5.) Because the local market controls the occupancy and average room rate, Mr. Leeman testified that in valuing a motel, the income approach is the "most meaningful." He testified that potential investors favor "direct capitalization of income" and place "little reliance on projected income" because the property must "generate cash to meet the debt service." For these reasons, Mr. Leeman based his income approach on actual 1999 operating income of the subject property with adjustments for debt service, depreciation and amortization. He concluded that the adjusted 1999 net income represented a "stabilized income stream." (Ptfs' Ex 1 at 8; Ptfs' Ex Income Approach Computation.) Mr. Leeman did not increase the expense ratio for "shared" operating expenses recorded on the operating statement of another hotel owned by Mr. Allen. To the adjusted 1999 net income, Mr. Leeman deducted a "Reserves for Replacement" in order to capture the return on personal property. (Ptfs' Ex Income Approach Computation.) As a result, the "capitalized net operating income then indicates the market value of the property both real and personal," requiring the personal property assessed value be deducted "[i]n order to avoid double assessment." (Ptfs' Ex 1 at 9.) After computing an adjusted net income of $464,369, Mr. Leeman capitalized the net income at 11.5 percent to compute an indicated value of the motel in the amount of $4,037,995. (Ptfs' Ex Income Approach Computation.)

Mr. Taylor testified that when using the income approach to determine the real market value of a motel it is important to use a stabilized net operating income and not select one year's actual income as representative of the life cycle of the motel. He stated that Oregon's property tax system is based on value, not income, and value does not "go up and down each year." Mr. Taylor provided the court with an example of how the capitalization of a net income that was not stabilized could result in an erroneous determination of value. (Def's Ex A at 18.) Mr. Taylor concluded that the hotel market should stabilize by the year 2005. (Def's Ex A at 21-22.) Using a projected rent room income of $75 by the year 2005, occupancy rate of 70 percent and expenses per room of 66.5 percent, Mr. Taylor capitalized the net income at 11 percent. (*Id.* at 22.) Next, he discounted each year's income from 2000 to 2004 and a year 2005 value at 14 percent to "adjust for the years with the reduced income" (*Id*. at 21-22.) Then, the 2005 stabilized income was reduced by each of the discounted year's income from 2000 to 2004 and the year 2005 value to arrive at a real market value of $5,605,182.[2] (*Id.* at 22.) Mr. Taylor testified that the income approach should not be used in isolation in determining value. He testified that to make an accurate determination of value the relationship between the market (comparable sales) and income must be reviewed to know what an investor did pay for an income producing property similar to the subject property. Mr. Taylor submitted both "in town" and "out of town" sales of comparable properties. (Def's Exs B and C.)

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[2] The parties agree that the value of the personal property ($180,570) should be deducted from market value in order to determine the real market value of the subject property.

From these comparable sales, he developed a room rent multiplier (RRM) which when multiplied times the income from renting the room calculates a real market value. (Def's Ex A at 12-13.) Using a room rent multiplier of 3, Mr. Taylor determined a real market value of $5,992,000. (*Id.* at 14.) In addition, using the "in town" comparable sales, Mr. Taylor adjusted the sale price of four comparable properties for date of sale, square footage based on a land to building ratio, location, and quality to determine a real market value of $5,268,672. (*Id*. at 11.) Considering the values indicated by the market, RRM, and income approaches, Mr. Taylor concluded the market value of the property to be $5,500,000. (*Id*. at 23.)

Mr. Leeman did not use the comparable sales method to determine the fair market value of the subject property. He wrote that there were no "comparable sales in the area of the subject within the past two years" and "the market approach was not considered." (Ptfs' Ex 1 at 14.) Mr. Leeman testified that in his experience it is very difficult to obtain the necessary information to make proper adjustments to the sale prices. In addition, he stated that the "bottom line is what an investor is going to pay in light of the economy" and whether the motel can generate sufficient income to make debt service payments.

Mr. Taylor testified that because of the current downturn in the local economy, the county supported an average 20 percent reduction in the real market value of all motel properties located in the county appealed to the board of property tax appeals (Board). The real market value of Plaintiffs' property was reduced by the Board from $6,087,440 to $5,231,110, a 14 percent reduction. (Board Order mailed March 14, 2001.)

COURT'S ANALYSIS

The issue before the court is the 2000-2001 real market value of Plaintiffs' motel.

"Real market value is the standard used throughout the ad valorem statutes (except for special assessments.)" *Gangle v. Dept. of Rev.*, 13 OTR 343, 345 (1995). Real market value is defined in ORS 308.205(1)[3] which reads:

> "Real market value of all property, real and personal, means the amount in cash that could reasonably be expected to be paid by an informed buyer to an informed seller, each acting without compulsion in an arm's length transaction occurring as of the assessment date for the tax year."

It is common practice for appraisers to use three approaches to determine real market value: (1) the cost approach, (2) the sales-comparison or comparable sales approach, and (3) the income approach.

The parties in this case agree on the following points. They agree that the highest and best use of the property is its current use, the cost approach is not an acceptable method of valuation, and, after determining a real market value using the income approach, the personal property assessment must be removed to report only the value of the real property.

Income Approach

Both parties presented the court with analysis and estimates of value based on the income approach. The capitalization rates used by each party were similar, 11.5 percent for Plaintiffs and 11.0 percent for Defendant. Mr. Taylor computed a lower capitalization rate based on the market, dividing a comparable property's net income by the sale price. (Def's Ex A at 20-21.) He concluded that it was appropriate to use the 11 percent rate "often quoted for hotels" because "buyers are anticipating better times to come as occupancies return to their former rates." (*Id*. at 21.) The court finds Mr. Taylor's explanation puzzling since two of the five sales he used occurred before the current

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[3] All references to the Oregon Revised Statutes are to 1999.

economic slowdown. (*Id*. at 20.) The indicated capitalization rates for these two sales which occurred in August 1997 and February 1999 were 7.52 percent and 8.88 percent, respectively. The remaining three sales are within a close range of each other, with the sales occurring in late 1999, early 2000 and October, 2001. (*Id*.)

Each party's projection of gross room revenue is significantly different from the other. Mr. Leeman used actual gross room revenue for the 1999 calendar year. Mr. Taylor projected gross rent revenue on the assumption that by the year 2005 the room rent revenue would be stabilized. Mr. Taylor concluded that it was incorrect to use the actual income of the property as the stabilized income because he believed that the downturn in the economy was the sole reason for the decline in room revenue. While the downturn in the economy could explain part of the 17 percent room revenue decline between 1999 and 2000, it does not explain the room revenue decline of 11 percent between 1998 and 1999 when the economy was expanding. (Ptfs' Ex 1 at 18B, 18C, and 18E.) The court concludes that the arrival of competing motels offering similar accommodations forced the Sunnyside Inn to discount its room rate to stabilize its occupancy rate. (*Id.* at 18F.)

Mr. Leeman used the actual expenses for the Sunnyside Inn for calendar year 1999 excluding annual debt service. Mr. Leeman increased the actual expenses to include a reserve for replacements. Mr. Leeman used four percent of gross revenue as a reserve for replacements whereas Mr. Taylor did not specify a rate. Considering the age and condition of the subject property, the court finds that four percent is a reasonable estimate of the necessary reserve for replacements.

Mr. Leeman's total expense ratio was 76.7 percent.[4] This expense ratio is higher

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[4] This ratio is determined by dividing the expense amount by the income amount to indicate a ratio of income to expenses. Using the data from Plaintiffs' Ex 1 at 18A and 18B, the calculations are as follows:

than the 1998 ratio (72.6 percent) reflecting increased marketing costs in the face of competition. (Ptfs' Ex 1 at 18B and 18C.) Because of the omission of "shared" expenses, the expense ratio may be understated. Mr. Taylor used an expense ratio of 66.5 percent. (Def's Ex A at 22.) Mr. Taylor ignored market data, which indicated expense ratios ranging from approximately 71 percent to 75 percent. (*Id*. at 20.)

For purposes of the income approach, it is acceptable to use actual income and expenses for one year when the property is established and maintains a stable level of occupancy. In 1999 with the arrival of competing motels, the Sunnyside Inn attempted to maintain its level of occupancy by discounting its room rate. With the same manager for over 20 years and a marketing staff of 6, the Sunnyside Inn is both competently managed and marketed. The Sunnyside Inn's actual income and expenses for 1999 represented a stabilized operating level. Using an income approach and a capitalization rate of 11 percent, the court concludes that the real market value of the Sunnyside Inn as of January 1, 2000, was $4,222,000 before subtracting the value of the personal property.

Comparable Sales

Noting that "there is danger in placing too much reliance on any one approach to value," the court next considers the market analysis submitted by Mr. Taylor. *Lincoln County Assessor v. YCP Salishan LP,* OTC-RD Nos. 4509, 4510, WL 902781, at *6 (Aug. 3, 2001). The sales comparison approach estimates the value of property by adjusting the sales price of similar properties recently sold. The court looks for arm's

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1998: $1,627,131 (Expenses) ÷ $2,241,719 (Income) = .7258 (rounded to 72.6%);
1999: $1,533,049 (Expenses) ÷ $1,997,416 (Income) = .7675 (rounded to 76.7%).

length sales transactions of property similar in size, location and quality to Plaintiffs' property in order to determine the real market value. Because Plaintiffs' did not use the comparable sales method in valuing the subject property, the only evidence submitted was Defendant's comparable sales.

Mr. Taylor's market analysis presented four comparable sales. The four properties selected as comparable were: Capri Motel (Capri); Ramada Limited (Ramada); Residence Inn By Marriott (Residence); and Nokyo Econo Lodge (Econo).[5] (Def's Ex A at 11; Def's Ex B at 3-21.) Compared to the subject property with 141 rooms, the comparable properties include two properties, Capri and Econo[6], with 45 rooms or less, Ramada with 68 rooms and Residence with 112 rooms. (Def's Ex A at 6.) Mr. Taylor made adjustments "for the various items of value" to account for the variations among the properties in order to "bring an accurate indication of value." (*Id*. at 5.) His adjustments which are discussed below were: date of sale; land to building ratio; location; and quality. Mr. Taylor stated that it is typical to make an adjustment for the "age of the building." (*Id*. at 10.) However, in this case, Mr. Taylor concluded that after making the other four adjustments, the Capri, built in 1959, "is very close in value per square foot to the newest building", the Ramada, "built in 1991." (*Id*.) For this reason, Mr. Taylor concluded that the "effective age of the comparable is not very much different." (*Id*.)

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[5] The addresses and location of the four properties are:
Capri, 1530 NE 82nd Avenue, Portland, Oregon (NE 82nd, off Interstate 84);
Ramada, 17993 SW Lower Boones Ferry Road, Tualatin, Oregon (Interstate 5 at Boones Ferry);
Residence, 15200 Bangy Road, Lake Oswego, Oregon (Interstate 5 and Highway 217); and
Econo, 18323 SE Stark Street, Gresham, Oregon (Burnside Street).

[6] Defendant's analysis is based on 45 rooms (beds) for the Econo. (Def's Ex A at 6.) According to the "CoStar Comps" data on the Capri (Def's Ex B at 3-5) the Capri has 45 rooms and 40 parking spaces. The "TravelHero.com" data (*Id*. at 6-7) on the property indicates a total of 40 rooms.

Date of Sale

In adjusting for the date of sale, Mr. Taylor used a sample of property sales to determine a "correlation between the date of sale and the sale price per square foot." (*Id.* at 6.) The sample included 15 total properties,[7] built between 1919 and 2000 with sale prices ranging from $540,000 to $26 million. (*Id*. at 8.) In developing the time adjustment to account for variations in the date of sale, Mr. Taylor placed a great deal of confidence in a Microsoft Excel regression analysis tool which he labeled "forecast." Mr. Taylor concluded that the change in value for the time period, January 1, 1999, to January 1, 2000, was 10.3 percent. (*Id*.) Based on the number of months between the date of sale of the selected comparable property and the assessment date of January 1, 2000, the computed price per square foot was adjusted. (*Id*. at 11.)

While the court has no opinion as to the accuracy of the Microsoft program, Mr. Taylor states that the correlation among the 15 sales "is significant, though not great." (*Id*. at 6.) The court agrees with Mr. Taylor that the dissimilarities among the properties including a property that was remodeled (Ramada) and two properties (Residence and Econo) that were sold at a price substantially less than the assessed value of the property, as well as the numerous differences in number of rooms, location and year built, all combine to discount the confidence to be placed in this adjustment. In addition, the court notes that Mr. Taylor's computed rate is for the period January 1, 1999, to January 1, 2000. However, he applied the same rate for a sale which occurred almost a year prior, January 20, 1998. (*Id*. at 11.) There was no evidence to

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[7] One property included in the sample, 25425 SW 95th Avenue, sold twice, once on September 7, 2000, for $5.5 Million and again on May 3, 2001, for $5.75 Million.

support an assumption that the annual adjustment for the two year period would be the same as the one year interval.

Land to Building Ratio

Another adjustment made by Mr. Taylor was for the land to building ratio (L/B ratio.) The L/B ratio is derived by dividing the square footage of the land by that of the building. A high land to building ratio is more desirable. (*Id*. at 9.) The subject property had a land to building ratio of 2.53 while the properties selected had ratios of 1.47 to 3.75. (*Id*. at 6.) According to Mr. Taylor's method the L/B ratio was multiplied by $5 to account for the incremental value attributable to land. (*Id*. at 10.) Mr. Taylor failed to include a definition of incremental value or evidence to support his determination that $5 is the correct value per square foot of incremental value. As a result, the court makes no determination as to accuracy of the L/B ratio adjustment but does note that this adjustment in relation to the sales price was not a significant amount in any of the comparable properties. (*Id*. at 11.)

Location

Mr. Taylor also made an adjustment for differences in location between the comparable sales and the subject property. (*Id*.) Mr. Taylor concluded that the subject property ranks average in location. He also concluded that the Capri was average in location. Two properties, the Ramada and the Econo, were adjusted because they were ranked as inferior. The Ramada is landlocked and requires an easement for access. (*Id*. at 9.) The Econo is not located near a freeway entrance. (*Id*.)

Mr. Taylor appears to have based the amount of the adjustment on two factors: ease of access and proximity to a freeway. While Mr. Taylor noted that "the hotel must have easy access to other points of interest," this factor was not discussed in his appraisal report in relation to the subject property and the comparable sales. (*Id*.) Unlike the subject property, none of the comparable sales are located in the Interstate 205 corridor or in close proximity to any major shopping malls or entertainment complexes. In addition, the amount used to adjust the price per square foot of the comparable sales was not explained nor documented, and could have included any or all of the factors listed above. For example, Mr. Taylor ranked the Ramada and Econo as inferior and a $20 adjustment was added to the unadjusted sale price per square foot. (Def's Ex A at 11.) Because the Residence was ranked as superior, $5 was subtracted. (*Id*.) While a $5 adjustment in relation to an unadjusted sales price of $132 for the Residence is not significant, a $20 adjustment in relation to an unadjusted sales price of $69 for the Ramada and $90 for the Econo suggests a strong lack of comparability between the properties and the subject property.

Adjustments for location are necessary where the location characteristics of the comparable properties differ from those of the subject property. Appraisal Institute, *The Appraisal of Real Estate* 435 (12th ed 2001). The court views the location adjustment as particularly significant in this case because of the impact of competition from neighboring properties on the value of the subject property. The competition factor was not discussed in this context or as a separate adjustment. While Mr. Taylor noted the differing characteristics of the properties, the court finds the accuracy of the location adjustment questionable because there was no mention of adjustments for location to account for access to other points of interest, no explanation of how the amount used to make the adjustment was determined, and the relationship between the adjustment amount and the unadjusted sale price in two of the comparable sales was significant.

Quality

Mr. Taylor adjusted only one comparable sale for quality. In his analysis, Mr. Taylor concluded that an adjustment should be made to the sales price per square foot of the Capri because of its facilities for truckers, its lower room rates and its "generally inferior" quality when compared "to the subject." (Def's Ex A at 10.) The quality adjustment was an addition of $15. None of the other properties were adjusted for quality variation. Mr. Taylor did not explain nor document how the amount of the adjustment ($15) was determined.

As previously noted, no adjustments were made to account for variations in the year built of each property. Mr. Taylor's appraisal report stated that the "building age does not seem to be a measurable factor among the comparable selected" after making all other adjustments. (*Id*.) Mr. Taylor's conclusion is based on the reliability of the prior adjustments. Because of the lack of information provided to the court explaining how the dollar amount of the adjustment was determined, the court cannot agree with Mr. Taylor. The court notes that both the Econo and the Ramada are newer facilities (both built in 1991) as compared to the subject. (*Id*. at 6.) In addition, the Ramada was partially remodeled in 1998. (Def's Ex B at 10.) By not explaining these differences, the court has no evidence to support Mr. Taylor's conclusion that an adjustment for variations in year built was not warranted.

Adjusted Sale Prices and Value

After the adjustments discussed above, the indicated sale price per square foot computed by Mr. Taylor ranged from $94.55 to $98.14. (Def's Ex A at 11.) Mr. Taylor concluded that the range was "narrow." (*Id*.) Taking the average of $96 and multiplying it times the number of square feet (54,882) of the Sunnyside Inn, Mr. Taylor's comparable sales analysis indicates a value of $5,268,672. (*Id*.) The weight given by the court to Mr. Taylor's indicated value is influenced by his failure to explain the dollar amounts selected for the adjustments and the lack of comparability of the properties. The failure to find any comparable property located in the immediate area or Interstate 205 corridor highlights the difficulty in finding comparable property which ultimately goes to the value issue. The comparable sales approach does, however, provide a range of values to support the final determination of value. Subject to the limitations previously discussed, Mr. Taylor's comparable sales provide the court with an indicated value for hotels in the Portland Metro area.

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<u>Room Rent Multiplier</u>

Mr. Taylor also presented the court with a value estimate based on the room rent multiplier (RRM). (Def's Exs A at 12 and C at 1-13.) This approach to estimating value is a capitalization method similar to the income approach. To derive a RRM from market data, sales of properties which are rented at the time of sale are required. The RRM is calculated by "multiplying the income from the room rent by a factor, derived from the market, to get the Market Value." (Def's Ex A at 12.)

Mr. Taylor's RRM was developed using properties located outside the Portland Metro area. The four properties used to develop the out of area RRM were: Comfort Inn, Wenatchee, Washington (Wenatchee); Comfort Inn, Auburn, Washington (Auburn); Holiday

Inn Express, Albany, Oregon (Albany); and Best Western Ramada Inn, Lincoln City, Oregon (Lincoln City). (*Id*.) Using these properties, a RRM of 3.62 to 4.20 was indicated. However, these properties seem to ignore the impact of the local market on the value of a property. Determining this RRM to be too high in light of the "more pessimistic attitude" held by buyers "toward the future of the hotel business," Mr. Taylor also considered data from the sale of two properties in the Portland area. (*Id*. at 13.) One property was the Lamplighter Motel (Lamplighter) located on Highway 26 in the Cedar Hills area of Portland and the other was the Holiday Inn Express (Holiday) located close to the outlet mall in Troutdale, Oregon. (*Id*.; Def's Ex C at 9-12.) After evaluating the data from the Portland area in comparison with the indicated RRM for the out of area properties, Mr. Taylor concluded a reasonable RRM to be 3.00. (Def's Ex A at 13-14.) Multiplying the RRM of 3 times the 1999 gross income for the subject property, Mr. Taylor computed an indicated value of $5,992,000. (*Id*. at 14.)

It is important when attempting to develop a RRM that the properties analyzed be comparable to the subject property and to one another. Comparability is based on a review of various characteristics, including among others age, size and location. There are numerous differences between the subject property and the out of area properties, as well as among the out of area properties themselves. For example, the Wenatchee, Albany and Lincoln City properties were built between 1994 and 1997 while the Sunnyside is a much older property, built in 1980.[8] (*Id*. at 12.) The differences also carry through to the Portland area properties. The Lamplighter, built in 1973, is significantly older than the

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[8] No date was provided for the age of the Comfort Inn located in Auburn, Washington (Def's Ex A at 12.)

subject property. (Def's Ex C at 10.) The Holiday was built in 1997 with a conversion November 2000 to a Holiday Inn Express, requiring remodeling costs of approximately $450,000. (*Id.* at 9.)

There is a substantial difference in the size of the properties. While the subject property has 141 rooms, the out of area properties have between 53 and 81 rooms. (Def's Ex A at 12.) The Portland area properties have less rooms than the subject property; the Holiday has 78 rooms and the Lamplighter has 56 rooms. (Def's Ex C at 9-10.)

Also, in developing a RRM, the income data must be similar for each sale transaction. For the out of area properties, Mr. Taylor used gross income from 1998 for three of the properties and 1996 for the fourth property. (Def's Ex A at 12.) For the Lamplighter, Mr. Taylor used the information provided by the selling broker that the property sold at a gross rent multiplier of 4. (Def's Ex C at 10.) Finally, Mr. Taylor used income for the Holiday for the year prior to the conversion and the year of conversion. Such differences significantly reduce the reliability of the RRM.

One final issue concerning RRMs. Properties with the same or close to the same multipliers can have substantially different operating expense ratios. Mr. Taylor's information did not include any comparable information about the operating expenses of the selected comparable properties. Without a review of the operating expenses, the properties may or may not be comparable as to value.

Each of the issues discussed above impacts the value of a hotel property. Because of the significant disparities among all the properties, including the use of out of town properties, the lack of comparability between the RRM properties and the subject, and the absence of any operating expense analysis, the court concludes that it will give little weight to Defendant's RRM.

CONCLUSION

After carefully considering and weighing all the evidence and testimony, the court concludes that the real market value of the subject property for the tax year 2000-2001 was $4,500,000 after the reduction of $180,570 for the personal property assessment. Now, therefore,

IT IS THE DECISION OF THIS COURT that the real market value of Plaintiffs' property identified as Clackamas County Assessor's Account No. 00429450 for tax year 2000-2001 was $4,500,000.

IT IS FURTHER DECIDED that the county shall correct the assessment and tax rolls to reflect the above stated real market value of Plaintiffs' property as defined in

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ORS 308.162(2) with any refund due Plaintiffs to be promptly paid with statutory interest pursuant to ORS 311.806 and 311.812.

Dated this _____ day of January, 2002.

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JILL A. TANNER
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 JILL A. TANNER ON JANUARY 17, 2002. THE COURT FILED THIS DOCUMENT ON JANUARY 17, 2002.