

IN THE OREGON TAX COURT
MAGISTRATE DIVISION
Property Tax

RANDY RICHARDSON and STEPHANIE)
RICHARDSON,)
)
Plaintiffs,) TC-MD 020869D
)
v.)
)
CLACKAMAS COUNTY ASSESSOR,)
)
Defendant.) **DECISION**

Plaintiffs appeal the real market value of their property for tax year 2001-2002.¹ A trial was held on Thursday, November 21, 2002, at the Clackamas County Office of Assessment and Taxation in Oregon City. Mr. Randy Richardson appeared on behalf of Plaintiffs. Mr. Fred Dodd, Appraiser II, appeared on behalf of Defendant.

During the preparation of the decision, the court requested a telephone conference with the parties to discuss Plaintiffs' evidence. After the conference, Plaintiffs submitted a response to the court's inquiry. On February 10, 2003, the court held another telephone conference with the parties to discuss Plaintiffs' response. At the conclusion of the conference, Plaintiffs asked the court to prepare its Decision.

STATEMENT OF FACTS

In July 1999, Plaintiffs purchased 5.14 acres in Wilsonville, Oregon, paying \$245,500. At the time of the purchase, a dwelling and two outbuildings were located on the property. Mr. Dodd testified that the tax roll at the time of purchase stated a real market value of approximately \$80,000 for these structures. The land and improvements

¹ Plaintiffs orally amended their Complaint on July 18, 2002, to change the tax year to 2001-2002. Defendant had no objections.

were valued at approximately \$314,000. Plaintiffs demolished the existing structures and sold the materials.

In 2000, Plaintiffs contracted to have a new home and barn built on the property. The contract price was \$274,030 for their 3,608 square foot house, having a tile roof, two fireplaces, 3 bedrooms and 3.5 bathrooms. (Ptf's' Ex 1, 3 and 4.) In addition, Plaintiffs contracted for a new well, septic tank and drainfield. The cost of those items, which were installed by a licensed contractor, was unknown. The parties agree that the cost of the outbuilding (barn) was \$150,000. On the assessment date of January 1, 2001, the parties agree that the house was 90 percent complete and the barn was 10 percent complete.

Plaintiffs appealed the value of their property to the Clackamas County Board of Property Tax Appeals (BOPTA). BOPTA issued its Order on April 9, 2002, and concluded that the real market value of Plaintiffs' property was as follows:

Land	\$278,102
Structures, including barn	<u>\$398,101</u>
Total Real Market Value:	\$676,203

Defendant requests the court sustain BOPTA's Order.

Plaintiffs allege that the real market value of their property is:

Land	\$216,000
House @ 90 percent complete	\$278,100
Barn @ 10 percent complete	<u>\$ 12,000</u>
Total Real Market Value	\$506,100

The parties agree that the real market value of the barn on the date of assessment was no more than \$12,000.

In support of their alleged real market value, Plaintiffs submitted two appraisals prepared by Mark Steger, Oregon State Licensed Appraiser. (Ptf's' Ex 1 and 2.) Both appraisals concluded that the real market value of the subject property was \$675,000 on
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April 12, 2001, and October 9, 2001. (*Id.*) In concluding that the real market value of the land was \$216,000, Mr. Steger relied on three sales, ranging in a per acre value of \$37,174 to \$49,988. (Ptf's' Ex 1 at 9.) Mr. Steger concluded that the most appropriate price per acre was \$42,000. (*Id.*)

From the real market value stated in Mr. Steger's appraisals Plaintiffs subtracted the value of the land (\$216,000) and the cost of the barn (\$150,000) to derive the real market value of their house, \$309,000. Because the house was 90 percent complete, Plaintiffs concluded that the real market value was 90 percent of \$309,000 or \$278,100.

Mr. Dodds concluded that real market value of the subject property was correctly determined by BOPTA to be \$676,203. (Def's Ex A-1.) Using four comparable sales, Mr. Dodd adjusted each sale for time, quality, size, fireplaces, baths, outbuildings, and the unfinished condition of Plaintiffs' house. (Def's Ex A-2.) In determining the land adjustment, Mr. Dodd relied on the county's tax roll value for each of the properties. Mr. Dodd explained that the county has not reappraised property since 1997 and he did not inspect the comparable properties. He testified that BOPTA's value of Plaintiffs' land, \$278,102, compared favorably with Plaintiffs' purchase price of \$245,500 less the demolition of outbuildings and the installation of on-site development costs for water, septic and access to the property.

In reviewing the adjustments to the sale prices of the comparable properties, Mr. Dodd testified that he thought his time adjustment was based on 1 or 2 percent per year. The size or square foot adjustment was based on an estimated cost per square foot for "excess" footage, approximately \$40 per square foot. The size adjustment for a garage was also made at an incremental rate per square foot. The bath adjustment was limited to a fixture cost and the fireplace adjustment was the actual cost of the firebox and masonry.

Mr. Dodd noted that both he and Plaintiffs' appraiser selected a property located 11 miles northeast of Plaintiffs' as a comparable. This property is located at 17007 S. Trail Ridge Road, Oregon City. Mr. Dodd's adjusted sale price was \$697,870. (Def's Ex A-2.) Mr. Steger's adjusted sale price for the same property was \$702,500. (Ptfs' Ex 1 at 4.) This property had the highest adjusted sale price of any comparable property selected by Mr. Steger. Mr. Richardson testified that the quality of this property was most similar to his property.

Mr. Richardson asked Mr. Dodd why he did not make an adjustment for view. Mr. Richardson noted that two of the comparable sales have views. Mr. Dodd reviewed the "jacket" on each property. He testified that the county records show a value adjustment of \$13,540 for "view" to comparable sale 3 and \$36,000 to comparable sale 4. Mr. Dodd stated that even if he made an adjustment for view to each of the adjusted sale prices of the two properties neither would drop below the real market value found by BOPTA.

COURT'S ANALYSIS

Plaintiffs appeal the 2001-2002 real market value of their property. 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)² 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."

The range in real market value for the subject property presented to the court is

² All references to the Oregon Revised Statutes (ORS) are to 1999.

Plaintiffs' determination of a real market value of \$506,100 and Defendant's determination of \$676,203 for tax year 2001-2002. The court looks for arm's length sale transactions of property similar in size, quality, age and location to Plaintiffs' property in order to determine the real market value. In this case, the parties have submitted numerous sales.

Before the court reviews the comparable sales evidence, it is important to discuss an issue raised by Mr. Steger's appraisals. According to Mr. Steger's appraisals, the adjustment made to the sales price for a large outbuilding when the comparable sale did not have an outbuilding was \$9,500. (Ptf's' Ex 1 at 4, specifically comparable sales 2 and 3 and Ex 1 at 7, comparable sale 5.) In response to the court's inquiry, Mr. Steger wrote that the "market adjustments made for differences between the comparables and subject do not reflect actual replacement/reproduction costs." (Letter from Mr. Steger, dated December 22, 2002.) Based on his written statement, Mr. Steger's adjustment amount of \$9,500 is his estimate of the real market value of the outbuilding based on the percentage of completion (10 percent) at the appraisal dates. This differs from Plaintiffs' analysis. Plaintiffs stated in their letter to the court dated May 6, 2002, that the real market value of the outbuilding included in the two appraisals was \$150,000. Plaintiffs assumed that Mr. Steger's determination of the real market value of Plaintiffs' property included the **cost** of the outbuilding when completed. Unfortunately for Plaintiffs, Mr. Steger did not "reflect actual replacement/reproduction costs" in his appraisals. The court concludes that Mr. Steger's estimate of the real market value of the outbuilding that was included in his appraisals was no more than \$9,500.

In each of his appraisals, Mr. Steger's determination of value was \$675,000. After deducting the outbuilding value (\$9,500), the real market value of Plaintiffs' land and house would be \$665,500. BOPTA's determination of the real market value of Plaintiff's property

was \$664,203 without the value of the outbuilding.³ Because these values are substantially the same, the court sustains the real market value determined by BOPTA.

CONCLUSION

Now, therefore,

IT IS THE DECISION OF THIS COURT that the real market value of Plaintiffs' property identified as Clackamas County Assessor's Account 00767325 was \$676,203 for tax year 2001-2002.

Dated this _____ day of March, 2003.

JILL A. TANNER
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 JILL A. TANNER ON MARCH 26, 2003. THE COURT FILED THIS DOCUMENT ON MARCH 26, 2003.

³ The parties agree that the real market value of the outbuilding determined by BOPTA was \$12,000.