

Order of the Thurston County Board of Equalization

Property Owner: YELM PLAZA LLC

Assessment Year: 2016

Having considered the evidence presented by the parties in this appeal, the Board hereby:

☐ sustains ☒ overrules the determination of the assessor.

PETITION	PARCEL	ASSESS LAND	ASSESS BLDG	ASSESS TOTAL	BOE LAND	BOE BLDG	BOE TOTAL
16-0533	22730110203	\$706,600	\$1,440,900	\$2,147,500	\$504,700	\$957,830	\$1,462,530
16-0534	22730110204	\$1,571,550	\$4,523,800	\$6,095,350	\$1,122,550	\$3,007,170	\$4,129,720
16-0535	22730110206	\$569,600	\$1,748,600	\$2,318,200	\$406,850	\$1,162,370	\$1,569,220
16-0536	22730110207	\$202,400	\$603,100	\$805,500	\$202,400	\$400,910	\$603,310
16-0537	22730110209	\$579,100	\$534,500	\$1,113,600	\$413,650	\$355,310	\$768,960
16-0538	22730110210	\$983,800	\$1,811,700	\$2,795,500	\$702,700	\$1,204,320	\$1,907,020

This decision is based on our finding that: The Board overrules the Assessor's determinations of value based on the testimony and evidence presented. The Board adopts the Petitioner's requested values as outlined on page 2 of the letter dated November 30, 2017. The Board relies, in a measure, on its previous reviews of the subject properties. The subject properties compose part of an economic unit consisting of a total of seven parcels. The Petitioners appealed the assessments of the six improved parcels, but did not appeal the assessment of the unimproved seventh parcel.

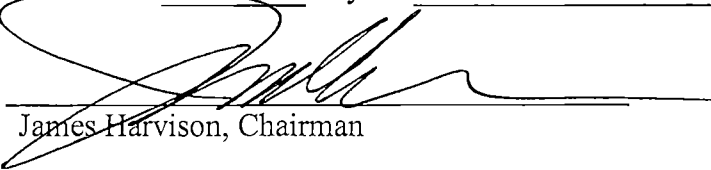
The Petitioner was represented by Michelle DeLappe of Garvey Schubert Barer and Joseph Ho, leasing agent for the subject property. Petitioner's Exhibit A is the Corrected Final Decisions of the Board of Tax Appeals (BTA) dated June 29, 2016, for Docket Nos. 12-061 to 12-067, 13-031 to 13-036, and 13-168 to 13-174 for the 2010, 2011, and 2012 assessment years. Petitioner's Exhibit B is an Order Reversing and Remanding Agency Decision from Thurston County Superior Court dated October 13, 2017. The Court's Order states, "The Court concludes that the Board erred as a matter of law in rejecting entrepreneurial profit as part of the vacancy shortfall analysis in light of the evidence presented by both parties' appraisal experts. RCW 34.05.570(3)(c),(d),(e), and (i)." Petitioner's Exhibit C is the Petitioner's most recent fee appraisal as of January 1, 2013, with an as is valuation conclusion of \$11,200,000. Ms. DeLappe stated that the subject properties were 13 percent vacant and 13 percent dark, for a total of 26 percent of the property being unoccupied. She explained that the vacancy rate as of January 1, 2013, was similar to January 1, 2016, except that short terms remained on the existing leases, which this Board has previously recognized as contributing factors to increased uncertainty and business risk. Mr. Ho testified that he became the leasing agent for the subject properties in June 2016. He testified that the vacancy at that time was approximately 30 percent and that he informed Ms. Hoyer of this. He explained that the property was advertised for lease through the Commercial Brokers Association, the local newspaper, and direct marketing to 300 local businesses. He testified that during the past 18 months, he has received speculative responses, primarily from entrepreneurs with no previous business experience and no business plans. He stated that he has received feedback that the rates were too expensive for triple net leases. Mr. Ho testified that: storefront retail is on the decline due to the growth of online retail; there is still a 14,000 square foot space of the middle section of the former QFC/Rite Aid space between Goodwill and Dollar Tree that is vacant; the Yelm community cannot support additional grocery stores, drug stores, or other larger retail stores; and the City of Yelm's regulations requiring restaurants to have underground grease storage traps are cost prohibitive and preclude restaurants from locating at the subject properties.

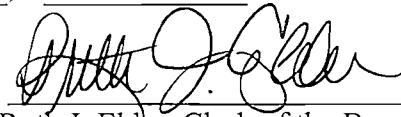
Commercial Appraiser Teresa Hoyer represented the Assessor. Ms. Hoyer provided a market-adjusted cost approach, a sales comparison approach, and an income approach in support of the recommended values for Petition Numbers 16-0533, 16-0534, 16-0535, 16-0537, and 16-0538 and the current assessed value for Petition Number 16-0536. The Assessor's Representative provided limited testimony at the hearing. She asked the Petitioners about any new leases and whether Sunbirds now had their own lease or whether they were still on a sublease. The Petitioner's Representatives responded that there have been changes in the leases between January 1, 2016, and today's hearing and that they were uncertain about the Sunbirds lease. The Assessor's Representative testified that the risk and the length of the leases is relevant.

The Assessor's Representative recommended a reduction for each parcel except Petition Number 16-0536 for Parcel Number 22730110207. The Assessor's Responses indicates that the recommended reductions are the result of a "change in land characteristics." There is no explanation in the Responses as to which land characteristics were changed and the Assessor's Representative did not offer testimony regarding this issue at the hearing. The Board finds that the Assessor's recommended reductions were the result of appraisal judgment, not manifest error corrections pursuant to RCW 84.48.065(1)(a). As a result, the Board finds that the standard of review for Petition Numbers 16-0533, 16-0534, 16-0535, 16-0537, and 16-0538 is reduced from clear, cogent, and convincing evidence to the preponderance of the evidence. The standard of review for Petition Number 16-0536 remains clear, cogent, and convincing evidence.

The Board finds the Petitioner's evidence to be thorough and quite compelling. The Board finds that any leases entered into between the January 1, 2016 assessment date and the hearing date would not be relevant to the 2016 assessed value of these properties. The Board concludes that the Petitioners provided the preponderance of the evidence to warrant a further reduction in the valuations for Petition Numbers 16-0533, 16-0534, 16-0535, 16-0537, and 16-0538. The Board concludes that the Petitioners provided clear, cogent, and convincing evidence sufficient to overcome the Assessor's presumption of correctness and to warrant a reduction in the valuation for Petition Number 16-0536.

Dated this 11th day of December, 2017


James Harvison, Chairman


Ruth J. Elder, Clerk of the Board

NOTICE

This order can be appealed to the State Board of Tax Appeals by filing a notice of appeal with them at PO Box 40915, Olympia, WA 98504-0915 or at their website at bta.state.wa.us/appeal/forms.htm within thirty days of the date of mailing of this order. The Notice of Appeal form is available from either your county assessor or the State Board.

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