

BEFORE THE NEBRASKA TAX EQUALIZATION AND REVIEW COMMISSION

Kiga-Wedete, LLC,
Appellant,

v.

Douglas County Board of Equalization,
Appellee.

Case Nos.: 11R 273 & 12R 514

Decision Reversing
County Board of Equalization’s 2011
Determination & Affirming 2012
Determination

GENERAL BACKGROUND & PROCEDURAL HISTORY

1. The Subject Property is a residential parcel located at 11808 Blair High Road, Douglas County, Nebraska, with a legal description of: LANDS SEC-TWN-RGE 08-16-12 IRREG N 896.65 S 1111.71 W 197.4 FT SE 1/4 SW 1/4 4.3 AC.
2. The Douglas County Assessor assessed the Subject Property at \$183,120 for tax year 2011 and \$163,920 for tax year 2012.
3. Kiga-Wedete, LLC (herein referred to as the “Taxpayer”) protested these values to the Douglas County Board of Equalization (herein referred to as the “County Board”). In Case No. 12R-514, the Taxpayer requested an assessed value of \$95,000.
4. The County Board determined that the assessed value of the Subject Property was \$183,120 for tax year 2011 and \$153,920 for tax year 2012.
5. The Taxpayer appealed the determinations of the County Board to the Tax Equalization and Review Commission (herein referred to as the “Commission”).
6. A Single Commissioner hearing was held on May 23, 2013, at the Tax Equalization and Review Commission Hearing Room, Sixth Floor, Nebraska State Office Building, 301 Centennial Mall South, Lincoln, Nebraska, before Commissioner Thomas D. Freimuth.
7. Gary C. Lambert, a member of Kiga-Wedete, LLC, the Taxpayer, was present at the hearing.
8. Larry Thomsen, an employee of the Douglas County Assessor’s Office, was present for the County Board.

SUMMARY OF HEARING DOCUMENTS & STATEMENTS

9. The Property Record Profiles contained in the Assessment Reports for tax years 2011 and 2012 submitted by the County Board at the hearing indicates that the Taxpayer purchased the Subject Property for \$199,000 in 1998.
10. The Property Record Profile contained in the 2011 Assessment Report indicates that the County Board’s \$183,120 determination for tax year 2011 includes \$57,420 for land and \$125,700 for the improvement component.
11. The Property Record Profile contained in the 2012 Assessment Report indicates that the County Board’s \$153,920 determination for tax year 2012 includes \$28,220 for land and \$125,700 for the improvement component.
12. The County’s Assessment Reports indicate that the County Board’s \$125,700 determination attributable to improvements for tax years 2011 and 2012 is based on a

sales comparison approach mass appraisal model derived from market area arm's-length sales and multiple regression analysis. Multiple regression analysis assigns value to physical and locational characteristics of real property based on correlation of such characteristics with market area sales.¹ The Assessment Reports contain a document entitled "Market Calculation Detail" that sets forth the value of each of the various mass appraisal model characteristics assigned to the Subject Property's improvements.

13. The Property Record Profile contained in the 2011 Assessment Report indicates that the County Board's \$57,420 land determination for tax year 2011 is based on the County Assessor's agricultural valuation model that includes \$50,000 for the Subject Property's first-acre homesite. The Property Record Profile contained in the 2012 Assessment Report, however, indicates that the County Board's \$38,220 land determination for tax year 2012 is based on the County Assessor's model that assigns \$30,000 in value to the first-acre homesite. The 2012 Assessment Report includes a note dated February 3, 2012, which states that an employee of the Douglas County Assessor's Office reviewed the Subject Property and determined that the first-acre homesite should be valued at \$30,000 rather than \$50,000.
14. As indicated above, the Property Record Profile for the 2012 assessment year indicates that the assessed value of the first-acre homesite was reduced by \$20,000 when the Assessor's office reviewed the Subject Property and determined that its first-acre homesite should be re-categorized under County's assessment model. Based on this determination and the documents and statements presented at the hearing, Mr. Thomsen of the County Assessor's Office offered a revised opinion of value for the Subject Property's land component in the amount of \$37,420 (\$57,420 - \$20,000) for tax year 2011.
15. The Taxpayer's protest document submitted to the County Board in June 2012 asserted that the County Board overvalued the Subject Property due to insufficient consideration of the following factors: (1) a scheduled condemnation by the Nebraska Department of Roads; (2) the economic crisis since 2006 (in support of this assertion, the Taxpayer submitted several national and local newspaper articles); (3) a September 2012 land auction of a 72-acre parcel located at the corner of 96th Street and Bennington Road in Douglas County that generated \$9,250 per acre (the Taxpayer submitted a Farmers National Company advertisement regarding this transaction); (4) the sale of a nearby property (10215 Blair High Road - the Taxpayer submitted a screen-shot from the Douglas County Assessor's website concerning this property); and (5) the listing of a nearby property (11915 Pawnee Road - the Taxpayer submitted a screen-shot from the Douglas County Assessor's website concerning this property).
16. At the hearing before the Commission, the Taxpayer asserted that the actual value of the Subject Property for tax years 2011 and 2012 amounted to \$95,000 (\$10,000 for land, and \$85,000 for the improvement component).

STANDARD OF REVIEW

17. The Commission's review of the determination of the County Board of Equalization is de novo.² "When an appeal is conducted as a 'trial de novo,' as opposed to a 'trial de novo

¹ *Property Assessment Valuation*, 3rd Ed., International Association of Assessing Officers, 2010, at pgs. 416, 427.

² See, Neb. Rev. Stat. §77-5016(8) (2012 Cum. Supp.), *Brenner v. Banner Cty. Bd. of Equal.*, 276 Neb. 275, 286, 753 N.W.2d 802, 813 (2008).

on the record,' it means literally a new hearing and not merely new findings of fact based upon a previous record. A trial de novo is conducted as though the earlier trial had not been held in the first place, and evidence is taken anew as such evidence is available at the time of the trial on appeal."³

18. When considering an appeal a presumption exists that the "board of equalization has faithfully performed its official duties in making an assessment and has acted upon sufficient competent evidence to justify its action."⁴ That presumption "remains until there is competent evidence to the contrary presented, and the presumption disappears when there is competent evidence adduced on appeal to the contrary. From that point forward, the reasonableness of the valuation fixed by the board of equalization becomes one of fact based upon all the evidence presented. The burden of showing such valuation to be unreasonable rests upon the taxpayer on appeal from the action of the board."⁵
19. The order, decision, determination or action appealed from shall be affirmed unless evidence is adduced establishing that the order, decision, determination, or action was unreasonable or arbitrary.⁶
20. Proof that the order, decision, determination, or action was unreasonable or arbitrary must be made by clear and convincing evidence.⁷

GENERAL VALUATION LAW

21. A Taxpayer must introduce competent evidence of actual value of the subject property in order to successfully claim that the subject property is overvalued.⁸
22. "Actual value, market value, and fair market value mean exactly the same thing."⁹
23. Taxable value is the percentage of actual value subject to taxation as directed by Nebraska Statutes section 77-201 and has the same meaning as assessed value.¹⁰
24. All real property in Nebraska subject to taxation shall be assessed as of January 1.¹¹
25. All taxable real property, with the exception of agricultural land and horticultural land, shall be valued at actual value for purposes of taxation.¹²
26. Nebraska Statutes section 77-112 defines actual value as follows:

Actual value of real property for purposes of taxation means the market value of real property in the ordinary course of trade. Actual value may be determined using professionally accepted mass appraisal methods, including, but not limited to, the (1) sales comparison approach using the guidelines in section 77-1371, (2) income approach, and (3) cost approach. Actual value is the most probable price expressed in terms of money that a property will bring if exposed for sale in the open market, or in an arm's

³ *Koch v. Cedar Cty. Freeholder Bd.*, 276 Neb. 1009, 1019 (2009).

⁴ *Brenner v. Banner Cty. Bd. Of Equal.*, 276 Neb. 275, 283, 753 N.W.2d 802, 811 (2008) (Citations omitted).

⁵ *Id.*

⁶ Neb. Rev. Stat. §77-5016(8) (2011 Cum. Supp.).

⁷ *Omaha Country Club v. Douglas Cty. Bd. of Equal.*, 11 Neb. App. 171, 645 N.W.2d 821 (2002).

⁸ *Cf. Josten-Wilbert Vault Co. v. Board of Equalization for Buffalo County*, 179 Neb. 415, 138 N.W.2d 641 (1965) (determination of actual value); *Lincoln Tel. and Tel. Co. v. County Bd. Of Equalization of York County*, 209 Neb. 465, 308 N.W.2d 515 (1981) (determination of equalized taxable value).

⁹ *Omaha Country Club v. Douglas County Board of Equalization, et al.*, 11 Neb.App. 171, 180, 645 N.W.2d 821, 829 (2002).

¹⁰ Neb. Rev. Stat. §77-131 (Reissue 2009).

¹¹ See, Neb. Rev. Stat. §77-1301(1) (Reissue 2009).

¹² Neb. Rev. Stat. §77-201(1) (Reissue 2009).

length transaction, between a willing buyer and a willing seller, both of whom are knowledgeable concerning all the uses to which the real property is adapted and for which the real property is capable of being used. In analyzing the uses and restrictions applicable to real property the analysis shall include a full description of the physical characteristics of the real property and an identification of the property rights valued.¹³

VALUATION ANALYSIS

27. As noted above, in support of its \$95,000 opinion of value, the Taxpayer's protest document submitted to the County Board in June 2012 references two properties near the Subject Property that were subject to recent sale transactions, together with a parcel that had been listed for sale for several months.
28. The Taxpayer's approach can best be described as an attempt to value the Subject Property using the sales comparison approach.
29. The sales comparison approach involves a defined systematic procedure that requires, among other steps, the following: "[l]ook for differences between the comparable sale properties and the subject property using the elements of comparison. Then adjust the price of each sale to reflect how it differs from the subject property or eliminate that property as a comparable. This step typically involves using the most comparable sale properties and then adjusting for any remaining differences."¹⁴
30. The elements of comparison include real property rights conveyed in the sales, any financing terms, condition of the sale, expenditures made immediately after purchase, market conditions, location, physical characteristics, economic characteristics, use and zoning, and any non-realty components of value.¹⁵ Consideration of many of these characteristics is required under Nebraska Statutes section 77-1371.¹⁶
31. The Taxpayer did not provide analysis regarding adjustments based on the elements of comparison referenced above to determine whether the alleged comparable properties were truly comparable. Therefore, the Commission finds that the Taxpayer's sales comparison approach does not constitute sufficient clear and convincing evidence that the County Board's determinations for tax years 2011 and 2012 are unreasonable or arbitrary.
32. The Commission notes that guidance for purposes of applying the sales comparison approach is widely available. For example, the Commission is allowed by statute and by its rules and regulations to consider many publications that provide guidance regarding the sales comparison approach and other valuation techniques. These publications, which are listed at the Commission's "Rules/Regulations" website link (Chapter 5, section 031), can be found at area public libraries and law school libraries. Guidance regarding valuation techniques can also be found at the Commission's "Decisions" website link.
33. The Commission also notes that section 8 of the Order for Single Commissioner Hearing issued to the parties in this matter at least 30 days prior to the hearing provides as follows:

¹³ Neb. Rev. Stat. § 77-112 (Reissue 2009).

¹⁴ *The Appraisal of Real Estate*, 13th Edition, Appraisal Institute, 2008, at pgs. 301-302.

¹⁵ *The Appraisal of Real Estate*, 13th Edition, Appraisal Institute, 2008, at p. 141.

¹⁶ Neb. Rev. Stat. §77-1371 (Reissue 2009).

NOTE: *Copies of the County’s Property Record File for any parcel you will present as a comparable parcel should be provided so that your claim can be properly analyzed. The information provided on the County’s web page is not a property record file. A Property Record File is only maintained in the office of the County Assessor and should be obtained from that office prior to the hearing.*

34. Further, with respect to the Taxpayer’s concern regarding insufficient consideration of the economic crisis by the County, general guidance in this regard in the mass appraisal context is contained in *Property Assessment Valuation*, which is published by the International Association of Assessing Officers.¹⁷ For example, *Property Assessment Valuation* states that assessment officials are required to review factors such as foreclosure rates and vacancy rates as a part of developing and maintaining market area databases.¹⁸ Additionally, in addressing mass appraisal techniques such as the model used by the County to value the Subject Property, *Property Assessment Valuation* states as follows:

Although the structure of a mass appraisal model may be valid for many years, the model is usually recalibrated or updated every year. To update for short periods, trending factors may suffice. Over longer periods, as the relationships among the variables in market value change, complete market analyses are required. **The goal is for mass appraisal equations and schedules to reflect current market conditions.**¹⁹

35. The Illinois Court of Appeal stated as follows regarding consideration of “current market conditions” in a 2012 opinion affirming a lower court’s approval of a \$300,000 judicial foreclosure sale of commercial real estate secured by a note with a principal balance in the amount of \$824,540:

Our courts today face a similar situation as that faced by the court in [1937] *Levy* during the Great Depression, in that many properties were purchased during a time when real estate values greatly increased (referred to as “the real estate bubble”) **and those same properties plummeted in value after 2006 [and] continuing to the present.** Consequently, many property owners owe much more to the lenders than what the property is worth. While this fact is unquestionably tragic, the value of a given piece of property must be determined by considering all of the pertinent factors as they exist at the time of the sale, whether such sale is made in the open market or through a judicial sale as a result of a foreclosure action.²⁰

36. The Nebraska Supreme Court has also recently considered “current market conditions” in the aftermath of the economic crisis. In *County of Lancaster v. Union Bank & Trust Co.*

¹⁷ *Property Assessment Valuation*, 3rd Ed., International Association of Assessing Officers, 2010, at pgs. 73 - 83.

¹⁸ *Property Assessment Valuation*, 3rd Ed., International Association of Assessing Officers, 2010, at pgs. 77 - 83.

¹⁹ *Property Assessment Valuation*, 3rd Ed., International Association of Assessing Officers, 2010, at p. 417-18 (emphasis added).

²⁰ *Sewickley, LLC v. Chicago Title and Trust Company*, 974 N.E.2d 397, 406 (Court of Appeal of Illinois, First District, Second Division 2012) (emphasis added).

(*In re Estate of Craven*), the Court upheld a ruling issued by the Lancaster County Court that the \$113,000 purchase price of property sold at an estate auction in a weak real estate market after the decedent's death in 2008 stemmed from an arm's length transaction and was the best evidence of value for inheritance tax purposes.²¹

37. This Commissioner is mindful that the events surrounding the economic crisis adversely affected real estate values throughout the United States. The Taxpayer provided several articles in support of his assertion that the County overvalued the Subject Property due to insufficient consideration of the economic crisis, including a 2012 Omaha World Herald feature regarding a University of Nebraska at Omaha study stating that area "single-family home prices overall fell between 9.5 percent and 17 percent between 2006, when local housing values peaked, and 2012." This article includes 2006 – 2012 value changes across Omaha area ZIP codes -- the Taxpayer's ZIP code, 68142, experienced a 15% to 30% value reduction over this period.
38. The County's Assessment Reports indicate that the assessed value of the Subject Property increased from \$136,330 in 2006 to \$183,120 in tax year 2011. The Taxpayer's documentation raises concern regarding the validity of the County's mass appraisal model for purposes of determining the actual value of the Subject Property for tax years 2011 and 2012. The Taxpayer did not, however, provide sufficient documentation in the form of a fee appraisal or Property Record Profiles of sold parcels in the Subject Property's market area to support the conclusions reached in the above-noted University of Nebraska at Omaha study. Thus, the Commission is unable to find that the County's model is unreasonable or arbitrary.
39. The Commission further finds that the Taxpayer did not provide sufficient clear and convincing evidence to quantify the impact of the Nebraska Department of Roads' condemnation proceeding on the actual value of the Subject Property.

GENERAL EQUALIZATION LAW

40. "Taxes shall be levied by valuation uniformly and proportionately upon all real property and franchises as defined by the Legislature except as otherwise provided in or permitted by this Constitution."²² Equalization is the process of ensuring that all taxable property is placed on the assessment rolls at a uniform percentage of its actual value.²³ The purpose of equalization of assessments is to bring the assessment of different parts of a taxing district to the same relative standard, so that no one of the parts may be compelled to pay a disproportionate part of the tax.²⁴
41. In order to determine a proportionate valuation, a comparison of the ratio of assessed value to market value for both the subject property and comparable property is required.²⁵
42. Uniformity requires that whatever methods are used to determine actual or taxable value for various classifications of real property that the results be correlated to show uniformity.²⁶ Taxpayers are entitled to have their property assessed uniformly and

²¹ *County of Lancaster v. Union Bank & Trust Co. (In re Estate of Craven)*, 281 Neb. 122, 794 N.W.2d 406 (Neb. 2011).

²² *Neb. Const.*, Art. VIII, §1.

²³ *MAPCO Ammonia Pipeline v. State Bd. of Equal.*, 238 Neb. 565, 471 N.W.2d 734 (1991).

²⁴ *MAPCO Ammonia Pipeline v. State Bd. of Equal.*, 238 Neb. 565, 471 N.W.2d 734 (1991); *Cabela's Inc. v. Cheyenne County Bd. of Equalization*, 8 Neb.App. 582, 597 N.W.2d 623, (1999).

²⁵ *Cabela's Inc. v. Cheyenne County Bd. of Equalization*, 8 Neb.App. 582, 597 N.W.2d 623 (1999).

²⁶ *Banner County v. State Board of Equalization*, 226 Neb. 236, 411 N.W.2d 35 (1987).

proportionately, even though the result may be that it is assessed at less than the actual value.²⁷

43. The constitutional requirement of uniformity in taxation extends to both rate and valuation.²⁸ If taxable values are to be equalized it is necessary for a Taxpayer to establish by “clear and convincing evidence that valuation placed on his or her property when compared with valuations placed on similar property is grossly excessive and is the result of systematic will or failure of a plain legal duty, and not mere error of judgment [sic].”²⁹ “There must be something more, something which in effect amounts to an intentional violation of the essential principle of practical uniformity.”³⁰
44. “To set the valuation of similarly situated property, i.e. comparables, at materially different levels, i.e., value per square foot, is by definition, unreasonable and arbitrary, under the Nebraska Constitution.”³¹

EQUALIZATION ANALYSIS

45. For equalization analysis purposes, the Taxpayer submitted screen-shots from the Douglas County Assessor’s website for two residential parcels and a Farmers National Company advertisement for a 72-acre agricultural parcel.
46. As indicated previously, an order for equalization requires evidence that either: (1) similar properties were assessed at materially different values;³² or (2) a comparison of the ratio of assessed value to market value for the Subject Property and other real property **regardless of similarity** indicates that the Subject Property was not assessed at a uniform percentage of market value.³³
47. The Commission is unable to properly evaluate similarity because Property Record Profiles were not submitted for the three properties offered by the Taxpayer for consideration.
48. The Commission further finds that the Taxpayer did not produce sufficient evidence of the market value of the properties submitted for comparison, in order to determine whether the ratio of one or more assessed to market values was less than 100% for tax years 2011 or 2012. Thus, the Commission is unable to determine whether the Subject Property was assessed at an excessive percentage of market value in comparison to the properties presented for consideration by the Taxpayer.

CONCLUSION

49. The Taxpayer has produced competent evidence that the County Board failed to faithfully perform its duties and to act on sufficient competent evidence to justify its actions for tax year 2011, but not for tax year 2012.
50. The Taxpayer has adduced sufficient, clear and convincing evidence that the 2011 tax year determination of the County Board is unreasonable or arbitrary, and that decision of

²⁷ *Equitable Life v. Lincoln County Bd. of Equal.*, 229 Neb. 60, 425 N.W.2d 320 (1988); *Fremont Plaza v. Dodge County Bd. of Equal.*, 225 Neb. 303, 405 N.W.2d 555 (1987).

²⁸ *First Nat. Bank & Trust Co. v. County of Lancaster*, 177 Neb. 390, 128 N.W.2d 820 (1964).

²⁹ *Newman v. County of Dawson*, 167 Neb. 666, 670, 94 N.W.2d 47, 49-50 (1959) (Citations omitted).

³⁰ *Id.* at 673, 94 N.W.2d at 50.

³¹ *Scribante v. Douglas County Board of Equalization*, 8 Neb.App. 25, 39, 588 N.W.2d 190, 199 (1999).

³² See, *Scribante v. Douglas County Board of Equalization*, 8 Neb.App. 25, 39, 588 N.W.2d 190, 199 (1999).

³³ See, *Cabela's Inc. v. Cheyenne County Bd. of Equalization*, 8 Neb.App. 582, 597 N.W.2d 623, 635 (1999).

the County Board should be vacated. The Taxpayer has not adduced sufficient, clear and convincing evidence that the 2012 tax year determination of the County Board is unreasonable or arbitrary, and that decision of the County Board should be affirmed.

ORDER

IT IS ORDERED THAT:

1. The decision of the Douglas County Board of Equalization determining the value of the Subject Property for tax year 2011 is Vacated and Reversed.
2. That the Taxable value of the Subject Property for tax year 2011 is:

Land	\$ 37,420
Improvements	\$125,700
Total	\$163,120

3. The decision of the Douglas County Board of Equalization determining the value of the Subject Property for tax year 2012 is Affirmed.
4. This decision and order, if no further action is taken, shall be certified to the Douglas County Treasurer and the Douglas County Assessor, pursuant to Neb. Rev. Stat. §77-5018 (2012 Cum. Supp.)
5. Any request for relief, by any party, which is not specifically provided for by this order is denied.
6. Each Party is to bear its own costs in this proceeding.
7. This decision shall only be applicable to tax years 2011 and 2012.
8. This order is effective on February 20, 2014.

Signed and Sealed: February 20, 2014.

Thomas D. Freimuth, Commissioner