

**INDIANA BOARD OF TAX REVIEW**  
**Small Claims**  
**Final Determination**  
**Findings and Conclusions**

**Petition #s:** 71-023-02-1-5-00031  
71-022-02-1-5-00032  
71-023-02-1-5-00034  
**Petitioner:** Weaver Property Services, LLC  
**Respondent:** Penn Township Assessor (St. Joseph County)  
**Parcel #s:** 16-1142-5639  
27-1020-030501  
16-1004-0195  
**Assessment Year:** 2002

The Indiana Board of Tax Review (the Board) issues this determination in the above matter, and finds and concludes as follows:

**Procedural History**

1. The Petitioner initiated three assessment appeals with the St. Joseph County Property Tax Assessment Board of Appeals (the PTABOA) by written documents dated December 31, 2003.
2. The Petitioner received notices of the decisions of the PTABOA on June 9, 2004.
3. The Petitioner filed appeals to the Board by filing Form 131s with the county assessor on July 16, 2004. Petitioner elected to have these cases heard in small claims.
4. The Board issued notices of hearings to the parties dated January 23, 2006.
5. The Board held administrative hearings on March 9, 2006, before the duly appointed Administrative Law Judge (the ALJ) Dalene McMillen.
6. The following persons were present and sworn in at the hearings:<sup>1</sup>
  - a. For Petitioner: Brian K. Weaver, Owner  
John Miller, Certified Public Accountant  
Ronald A. Cukrowicz, Employee of the Petitioner

---

<sup>1</sup> Mr. Terrance Wozniak, Ms. Beth A. Szweda, and Ms. Sue Tranberg were present during the administrative proceedings on behalf of the Respondent, but they were not sworn in to present testimony.

Richard Lentz, Employee of the Petitioner

- b. For Respondent:
- Dennis Dillman, PTABOA Member
  - Ross A. Portolese, PTABOA Member
  - Ralph J. Wolfe, PTABOA Member
  - Sue Tranberg, PTABOA Member
  - Kevin Klaybor, PTABOA President
  - David E. Wesolowski, St. Joseph County Assessor
  - Beth A. Szweda, Deputy Assessor, St. Joseph County
  - Terrance F. Wozniak, Attorney representing St. Joseph County and Portage Township Assessors
  - Greg Bock, Penn Township Assessor

### Facts

7. The subject properties are classified as residential rental properties located at 232 E. 7<sup>th</sup> Street (7<sup>th</sup> Street Property) for Petitioner No. 71-023-02-1-5-00031; 2904 N. Grape Road (Grape Road Property) for Petitioner No. 71-023-02-1-5-00032; and 311 Beall Court (Beall Court Property) for Petitioner No. 71-023-02-1-5-00034 in Mishawaka, Penn Township, St. Joseph County.
8. The ALJ did not conduct an on-site visit to the subject properties.
9. The PTABOA determined the assessed value of the subject properties to be \$7,600 for the land and \$34,900 for the improvements, for a total assessed value of \$42,500 for the 7<sup>th</sup> Street Property; \$13,200 for the land and \$18,300 for the improvements, for a total assessed value of \$31,500 for the Grape Road Property; and \$5,800 for the land and \$20,600 for the improvements, for a total assessed value of \$26,400 for the Beall Court Property.
10. The Petitioner requested a total assessed value of \$23,273 for the 7<sup>th</sup> Street Property; \$22,679 for the Grape Road Property; and \$28,883 for the Beall Court Property.

### Issue

11. Summary of Petitioner's contentions in support of an error in the assessment:
  - a. The Petitioner contends that the properties under review are rental properties and should be valued using the income approach. *Weaver testimony*. The Petitioner argues that while St. Joseph County's use of the gross rent multiplier (GRM) for valuing one to four unit income producing properties is a valid strategy for establishing value based on location factors, it is only a starting point for determining market value-in-use. *Id.* According to the Petitioner, the income approach to valuation is a better indicator of value for a specific property. *Id.*

- b. The Petitioner contends that the properties are over-valued based upon their market values. *Weaver testimony*. According to the Petitioner, the properties' values are \$23,273, \$22,679 and \$28,883 pursuant to the income approach to value. *Id.* The Petitioner alleges that the calculations he used are based on his 26 years of property management and data from his thirty-three rental properties.<sup>2</sup> *Id.*
- c. The Petitioner testified that the 2002 annual gross incomes of the subject properties were \$9,120 for the 7<sup>th</sup> Street Property, \$6,720 for the Grape Road Property, and \$8,073 for the Beall Court Property. *Weaver testimony*. Further, the Petitioner testified that the 1999 through 2002 average vacancy and collection loss calculated per the Petitioner's property located in Penn Township was 10.3%. *Id.* When the allowable expense calculated on all the Petitioner's properties located in Penn and Portage Township of 42% is removed, the Petitioner testified that the subject properties had net operating incomes of \$4,745 for the 7<sup>th</sup> Street Property, \$3,496 for the Grape Street Property, and \$4,682 for the Beall Court Property. *Petitioner Exhibits A, A-5, A-14 & O-4; Miller testimony*. According to the Petitioner, he then calculated a capitalization rate of 14.4% by taking one sale from a MLS listing sheet and dividing the listed net operating income of \$11,136 by the selling price of \$77,250. *Id.* The Petitioner testified that he then multiplied the capitalization rate of 14.4% by the net operating incomes for the subject properties to arrive at market values for the properties of \$32,950 for the 7<sup>th</sup> Street Property, \$24,279 for the Grape Road Property, and \$32,516 for the Beall Court Property. *Petitioner Exhibits A-15 & O-4; Miller testimony*.
- d. The Petitioner further testified that he also used a GRM for the subject property's calculations. *Miller testimony*. According to the Petitioner, the GRM is a good procedure to use but is not as accurate as the income approach. *Weaver testimony*.
- e. Finally, the Petitioner testified that high crime rates in the area, negatively impact the market value of the subject properties. *Weaver testimony*. According to the Petitioner, several articles and statistics from London, New York, Merrillville, Gary and South Bend show that property values have declined in areas of high criminal activity. *Weaver testimony; Petitioner Exhibit A-1*. The Petitioner contends that the articles further show that crime impacts the capitalization rate of an area and what an investor is willing to take on as a burden of risk in investing in real estate. *Id.*

---

<sup>2</sup> The Petitioner submitted a map of St Joseph County showing the thirty-three properties on appeal in both Penn and Portage Townships broken down in five color coded areas with Penn Township being color coded "orange." *Petitioner Exhibit A*.

12. Summary of Respondent's contentions in support of the assessment:
- a. The Respondent contends that the assessments of the properties are correct. According to the Respondent, the Township determined the values for one to four unit income producing properties using a GRM. *Wesolowski testimony*. The Respondent testified that the assessments were calculated using the Petitioner's annual gross incomes on the subject properties. *Id.* Finally, the Respondent testified, the annual gross incomes were then multiplied by the GRM that was appropriate for the area to determine market values for the subject properties. *Respondent Exhibit 8; Bock testimony*.
  - b. The Respondent questioned the accuracy of the Petitioner's income approach to value because the Petitioner presented no supporting documentation to show how the capitalization rate, vacancy and loss calculation, and the income and expenses of the subject property compare to other like properties. *Dillman testimony; Wozniak argument*. The Respondent further argued that Petitioner's capitalization rate was based on one MLS listed sale rather than multiple sales from the area. *Id.* The Respondent concluded that the Petitioner's income approach calculations had not been prepared in accordance with standard appraisal practices and should not be entitled to any weight. *Id.*
  - c. Finally, the Respondent contends that the articles and statistics on crime submitted by the Petitioner have not been adequately explained. The Petitioner has not shown how such information impacts the market value-in-use of the property under appeal. *Wozniak argument*.

### **Record**

13. The official record for this matter is made up of the following:
- a. The Petition,
  - b. The tape recording of the hearing labeled STB #2291,
  - c. Exhibits:
    - Petitioner Exhibit A - Color coded map Portage and Penn Township properties,
    - Petitioner Exhibit A-1 - The following information on crime; Urban Property Crime Erodes The Value Of Your Home by Dr. Steve Gibbons, The Fruman Center's Current Research Agenda by New York University School of Law, South Bend City TownInfo.com, Crime Stories Should Take

- Public Safety Angle by Post-Tribune Merrillville,  
Core Indicators Report by Healthy Communities  
Initiative, Crime Statistics by CityRating.com,  
Offenses by Area from 1999 through 2002 by  
South Bend Police Department, Combined Crime  
Statistics by areas on appeal and Combined  
Crime Statistics Totals prepared by Mr. Weaver,
- Petitioner Exhibit A-3 – Transcript of Penn Township meeting, dated 5-19-04,
- Petitioner Exhibit A-4 – Department of Local Government Finance Memorandum on Overview of the Income Approach to Valuation, dated November 12, 2003,
- Petitioner Exhibit A-5 – Weaver Property Services, LLC total annual income and allowable expenses calculation,
- Petitioner Exhibit A-14 – Calculation of the average vacancy rate for Petitioner’s five properties located in Penn Township,
- Petitioner Exhibit A-15 – MLS listing sheet for a property located at 228 Lawrence, Mishawaka,
- Petitioner Exhibit A-16 – Weaver Property Services, LLC profit and loss statement from January 1999 through December 2002,
- Petitioner Exhibit A-17 – U.S. Return of Partnership Income – Form 1065 for 2002,
- Petitioner Exhibit A-18 – U.S. Return of Partnership Income – Form 1065 for 2001,
- Petitioner Exhibit A-19 – U.S. Return of Partnership Income – Form 1065 for 2000,
- Petitioner Exhibit A-20 – U.S. Return of Partnership Income – Form 1065 for 1999,
- Petitioner Exhibit A-21 – Copies of the Form 131 petitions for the properties under appeal in Portage and Penn Townships,
- Petitioner Exhibit O-4 – Income approach and GRM calculations for 107 East Tenth,
- Respondent Exhibit 1 – Form 130 petition,
- Respondent Exhibit 2 – Notification of Final Assessment Determination – Form 115,
- Respondent Exhibit 3 – Form 131 petition,
- Respondent Exhibit 4 – Brian K. Weaver’s annual income and allowable expenses presented at the PTABOA hearing,
- Respondent Exhibit 5 – Real estate tax statements for 2002 payable 2003,

Respondent Exhibit 6 – Subject 1989 property record card (PRC),  
Respondent Exhibit 7 – Subject 2002 PRC,  
Respondent Exhibit 8 – Township’s rental property worksheet,

Board Exhibit A – Form 131 petition,  
Board Exhibit B – Notice of Hearing,  
Board Exhibit C – Hearing sign-in sheet,

- d. These Findings and Conclusions.

### **Analysis**

14. The most applicable governing cases are:

- a. A Petitioner seeking review of a determination of an assessing official has the burden to establish a prima facie case proving that the current assessment is incorrect, and specifically what the correct assessment would be. *See Meridian Towers East & West v. Washington Township Assessor*, 805 N.E.2d 475, 478 (Ind. Tax Ct. 2003); *see also, Clark v. State Board of Tax Commissioners*, 694 N.E.2d 1230 (Ind. Tax Ct. 1998).
- b. In making its case, the taxpayer must explain how each piece of evidence is relevant to the requested assessment. *See Indianapolis Racquet Club, Inc. v. Washington Township Assessor*, 802 N.E.2d 1018, 1022 (Ind. Tax Ct. 2004) (“[I]t is the taxpayer's duty to walk the Indiana Board . . . through every element of the analysis”).
- c. Once the Petitioner establishes a prima facie case, the burden shifts to the assessing official to rebut the Petitioner’s evidence. *See American United Life Ins. Co. v. Maley*, 803 N.E.2d 276 (Ind. Tax Ct. 2004). The assessing official must offer evidence that impeaches or rebuts the Petitioner’s evidence. *Id;* *Meridian Towers*, 805 N.E.2d at 479.

15. The Petitioner failed to provide sufficient evidence to establish prima facie cases for reductions in the values. The Board reached this decision for the following reasons:

- a. The Petitioner contends that his properties are over-valued based on its market value. The Petitioner further contends that the subject properties’ high crime rate negatively impacts the values.

### *Market Valuation*

- b. The Petitioner contends that the subject properties are over-valued based on the income approach to value. *Petitioner Exhibit O-1 thru O-5*. In support of this

contention, the Petitioner presented an income approach summary showing the values of the properties on appeal to be \$28,883 for the 7<sup>th</sup> Street Property, \$23,273 for the Grape Road Property, and \$22,679 for the Beall Court Property. The Petitioner based the calculations on the income and expenses of the subject properties and the Petitioner's thirty-three properties located in Penn and Portage Townships. *Petitioner Exhibits A, A-5, A-14, A-15, & O-4*. The Petitioner testified that the income approach to value is the best indicator of value for the subject properties because it reflects the market value-in-use. *Weaver testimony*.

- c. The 2002 REAL PROPERTY ASSESSMENT MANUAL (the MANUAL) defines the "true tax value" of real estate as "the market value-in-use of a property for its current use, as reflected by the utility received by the owner or similar user, from the property." MANUAL at 2 (incorporated by reference at 50 IAC 2.3-1-2). A taxpayer may use any generally accepted appraisal methods as evidence consistent with the Manual's definition of true tax value, including the cost approach, sales comparison approach or the income approach, to establish the actual true tax value of a property. *See* MANUAL at 5.
- d. The Petitioner seeks to value its properties based on the income approach to value. "The income approach to value is based on the assumption that potential buyers will pay no more for the subject property...than it would cost them to purchase an equally desirable substitute investment that offers the same return and risk as the subject property." MANUAL at 14. The income approach, thus, focuses on the intrinsic value of the property, not upon the Petitioner's operation of the property because property-specific rents or expenses may reflect elements other than the value of the property "such as quality of management, skill of the work force, competition and the like." *Thorntown Telephone Company, Inc. v. State Board of Tax Commissioners*, 588 N.E.2d 613, 619 (Ind. Tax Ct. 1992).
- e. Here, the Petitioner offered rental and expense information solely from Petitioner's personal data on the subject properties and other properties it owns. The Petitioner provided no evidence to demonstrate whether the income and expenses were typical for comparable properties in the market. Thus, any low rental income or high expense levels may be attributable to the Petitioner's management of the properties as opposed to their market value. *See Thorntown Telephone Company*, 588 N.E.2d at 619. *See also, Lake County Trust Co. No. 1163 v. State Board of Tax Commissioners*, 694 N.E.2d 1253, 1257-58 (Ind. Tax Ct. 1998) (economic obsolescence was not warranted where taxpayer executed unfavorable leases resulting in a failure to realize as much net income from the subject property). Also, the Petitioner failed to explain what criteria he used to determine his neighborhoods (color coded areas) or how they compare to the County's delineated neighborhoods. More importantly, the Petitioner did not adequately support his capitalization rate. The Petitioner based the calculation of capitalization rate from a single MLS sales listing. A capitalization rate

“generally reflects the annual rate of return necessary to attract investment capital and is influenced by such factors as apparent risk, market attitudes toward future inflation, the prospective rates of return for alternative investments, the rates of return earned by comparable properties in the past, the supply of and demand for mortgage funds, and the availability of tax shelters.” *See Hometowne Associates, L.P. v. Maley*, 839 N.E.2d 269, 275 (Ind. Tax Ct. 2005). The Respondent correctly notes that selecting the correct capitalization rate is critical to use the income approach. Here, the Petitioner failed to show that his one MLS sale is representative of the market. Nor did the Petitioner show that his income approach methodology conformed to the Uniform Standards of Professional Appraisal Practice (USPAP) or any other generally accepted standards. Consequently, the Petitioner’s income approach calculations lack relevance or probative value in these cases.

- f. Alternatively, the Petitioner contends that the subject properties could be valued by using GRMs. Instead of using the multiplier of 6 that the township used, the Petitioner used a multiplier of 4. The Petitioner failed, however, to provide any support for the use of a four-time multiplier. As such, the Petitioner failed to walk the Board through every element of the analysis. *See Indianapolis Racquet Club, Inc.*, 802 N.E.2d 1018, 1022 (Ind. Tax Ct. 2004). The Petitioner has failed to raise prima facie cases on the basis of the income approach.

#### *Obsolescence*

- g. The Petitioner also testified that statistics have shown that property values are negatively impacted by criminal activity within a neighborhood. *Weaver testimony; Petitioner A-1*. In support of this contention, the Petitioner submitted several articles and statistics to show that criminal activity affects the value on property and what risk a potential investor is willing to take. *See Petitioner Exhibit A-1*.
- h. According to the REAL PROPERTY ASSESSMENT GUIDELINES FOR 2002 - VERSION A, intro at 1, (incorporated by reference at 50 IAC 2.3-1-2) (the GUIDELINES), depreciation consists of physical depreciation, functional obsolescence and external obsolescence. *Id.* External obsolescence represents a loss in value caused by an influence outside of the property’s boundaries. *Id.* For a Petitioner to show it is entitled to receive an adjustment for obsolescence, however, the Petitioner must both identify the causes of obsolescence it believes is present in its improvement and also quantify the amount of obsolescence it believes should be applied to its property. *Clark v. State Board of Tax Commissioners*, 694 N.E.2d 1230, 1241 (Ind. Tax Ct. 1998). Thus, the Petitioner must present probative evidence that the causes of obsolescence identified by the Petitioner are causing an actual loss in value to its property. *See Miller Structures, Inc. v. State Board of Tax Commissioners*, 748 N.E.2d 943, 954 (Ind. Tax Ct. 2001). Further,



the Petitioner's quantification of the amount of obsolescence must be converted into a percentage reduction and applied against the structure's overall value. *See Clark*, 694 N.E.2d at 1238. It is not sufficient for a Petitioner to merely identify random factors that may cause the property to be entitled to an obsolescence adjustment. The Petitioner must explain how those purported causes of obsolescence cause the property's improvements to suffer an actual loss in value. *See Champlin Realty Co. v. State Board of Tax Commissioners*, 745 N.E.2d 928, 936 (Ind. Tax Ct. 2001), *review denied*.

- i. It is not sufficient for the Petitioner to allege that there is a high crime rate in the properties' neighborhood. The Petitioner must show the amount of loss in value caused by that crime. In failing to provide this evidence, the Petitioner has not quantified the obsolescence to which he believes he is entitled. Further, while the Petitioner's articles do state there can be an affect on property value, the Petitioner failed to meaningfully explain how or what affect there may be on the property under appeal. Such statements, unsupported by factual evidence, are not sufficient to establish an error in assessment. *Whitley Products, Inc. v. State Board of Tax Commissioners*, 704 N.E. 2d 1113, 1119 (Ind. Tax Ct. 1998). Thus the Petitioner failed to raise prima facie cases that the subject properties assessments were incorrect in failing to apply an obsolescence factor.
- j. Where Petitioner has not supported the claim with probative evidence, Respondent's duty to support the assessment with substantial evidence is not triggered. *Lacey Diversified Indus., LTD v. Department of Local Government Finance*, 799 N.E.2d 1215, 1221-1222 (Ind. Tax Ct. 2003).

### **Conclusion**

16. The Petitioner failed to provide sufficient evidence to establish a prima facie case. The Board finds in favor of the Respondent.

## Final Determination

In accordance with the above findings and conclusions the Indiana Board of Tax Review now determines that the assessments should not be changed.

ISSUED: \_\_\_\_\_

\_\_\_\_\_  
Commissioner,  
Indiana Board of Tax Review

## IMPORTANT NOTICE

### - Appeal Rights -

**You may petition for judicial review of this final determination pursuant to the provisions of Indiana Code § 6-1.1-15-5. The action shall be taken to the Indiana Tax Court under Indiana Code § 4-21.5-5. To initiate a proceeding for judicial review you must take the action required within forty-five (45) days of the date of this notice. You must name in the petition and in the petition's caption the persons who were parties to any proceeding that led to the agency action under Indiana Tax Court Rule 4(B)(2), Indiana Trial Rule 10(A), and Indiana Code §§ 4-21.5-5-7(b)(4), 6-1.1-15-5(b). The Tax Court Rules provide a sample petition for judicial review. The Indiana Tax Court Rules are available on the Internet at <<http://www.in.gov/judiciary/rules/tax/index.html>>. The Indiana Trial Rules are available on the Internet at [http://www.in.gov/judiciary/rules/trial\\_proc/index.html](http://www.in.gov/judiciary/rules/trial_proc/index.html)>. The Indiana Code is available on the Internet at <<http://www.in.gov/legislative/ic/code>>.**