REPRESENTATIVES FOR THE PETITIONER:
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STATE OF INDIANA
INDIANA BOARD OF TAX REVIEW

E R CARPENTER CO., INC.	)	Petition Nos.: 20-011-12-1-3-00826-16
	)	20-011-12-1-3-00827-16
	)	20-011-15-1-3-02124-17
	)	20-011-15-1-3-02126-17
	)	20-011-16-1-3-02127-17
	)	20-011-16-1-3-02125-17
	)	20-011-17-1-3-00736-18
	)	
Petitioner,	)	Parcel Nos.: 20-06-02-276-001.000-011
	)	20-06-02-252-002.000-011
	)	
vs.	)	County: Elkhart
	)	
ELKHART COUNTY ASSESSOR,	)	Assessment Years: 2012, 2015, 2016, 2017
	)	
Respondent.	)	

Appeals from Final Determinations of the
Elkhart County Property Tax Assessment Board of Appeals

December 9, 2019

I. Introduction

1. In this matter, E R Carpenter Co., Inc., (the "Taxpayer") disputes the assessments issued by the Elkhart County Assessor, (the "Assessor") in regards to its large manufacturing facility (the "Factory"). The Board finds that the appraisers were unable to identify reliable comparable sales data, and the Factory must be valued under the cost approach.

II. Procedural History

2. The Taxpayer timely filed Form 130 petitions for two parcels for the 2012, 2015, and 2016 assessments. For 2017, the Taxpayer appealed only one parcel. Following the determinations by the Elkhart County Property Tax Assessment Board of Appeals (PTABOA), the Taxpayer timely filed Form 131 petitions for review with the Board.

3. The Board set the 2012, 2015, 2016, and 2017 petitions for a single hearing. Pursuant to the Appeal Management Plan, the parties presented evidence regarding the 2012 and 2016 assessments. The parties stipulated that the assessments for 2015 and 2017 would be based on a pre-determined formula. The two parcels under appeal, and a third not on appeal, form a single economic unit, and the parties' experts offered values for all three parcels with an allocation to the parcel not on appeal.

4. Timothy Schuster, designated as the Board's administrative law judge, held a hearing on the dates of January 29-30, 2019, in Indianapolis. Sara Coers and David Hall testified as experts, and both were sworn under oath.

5. The PTABOA determinations and the appraisers' concluded values were as follows:

Year	Parcel 1		Parcel 2		Total	Coers	Hall
	Land	Buildings	Land	Buildings			
2012	$922,300	$11,577,700	$329,400	$4,684,800	$17,514,200	$12,380,000	$17,400,000
2015	$922,300	$12,223,000	$329,400	$4,581,400	$18,056,100		
2016	$922,300	$10,922,700	$329,400	$4,846,000	$17,020,400	$14,940,000	$17,900,000
2017	$1,091,000	$16,379,000			$17,470,000		

6. The Taxpayer offered the following exhibits, all of which were admitted:

Petitioner's Exhibit P-1:	2012 Appraisal Report by Sara H. Coers[1]
Petitioner's Exhibit P-2:	2016 Appraisal Report by Sara H. Coers
Petitioner's Exhibit P-6:	Pillar Report for 501 Northridge Dr.
Petitioner's Exhibit P-7:	Pillar Report for 5880 W. State Rd. 28
Petitioner's Exhibit P-8:	USPAP Excerpt
Petitioner's Exhibit P-9:	Selections from 2016 Appraisal Report by Sara H. Coers

[1] Both appraisal reports were prepared by Pillar Valuation Group with Sara Coers as the appraiser.

7. The Respondent offered the following exhibits, all of which were admitted:

Respondent's Exhibit R-1:	2012 Appraisal Report by David Hall[2]
Respondent's Exhibit R-2:	2016 Appraisal Report by David Hall
Respondent's Exhibit R-3:	Photographs of the Factory with References to MVS
Respondent's Exhibit R-4:	Flood Maps
Respondent's Exhibit R-5:	Calculation of Value of Excess Parcel
Respondent's Exhibit R-6:	CoStar Data on Asking Rent Prices for Large Industrial Properties
Respondent's Exhibit R-7:	Spreadsheet of Building Permits
Respondent's Exhibit R-8:	Annual Expenditures at Factory
Respondent's Exhibit R-9:	Building Permits
Respondent's Exhibit R-10:	Purchase Order for Truck Docks
Respondent's Exhibit R-11:	Roofing Proposal
Respondent's Exhibit R-12:	Roofing Purchase Order
Respondent's Exhibit R-13:	Marshall Valuation Service Cost Multipliers
Respondent's Exhibit R-14:	Market Extracted Depreciation Rates
Respondent's Exhibit R-15:	Listing for Magnum Dr. Property
Respondent's Exhibit R-16:	Paired Sales Analysis of Coers' 2016 Sales 3 and 4
Respondent's Exhibit R-17:	Listing for College Ave. Property
Respondent's Exhibit R-18:	Listing for 55740 Currant Rd. Property
Respondent's Exhibit R-22:	Pillar Report on Tiffin Ave. Property
Respondent's Exhibit R-23:	Pillar Report on State St. Property
Respondent's Exhibit R-24:	Appraisal of Real Estate pages 398-99
Respondent's Exhibit R-25:	Pillar Report on 100 Progress Place Property
Respondent's Exhibit R-26:	Pillar Report on 175 Progress Place Property
Respondent's Exhibit R-27:	Appraisal of Real Estate pages 605, 608-10
Respondent's Exhibit R-28:	Coers' Work File Data on 2012 Sales
Respondent's Exhibit R-29:	Coers' Work File Data on 2016 Sales
Respondent's Exhibit R-30:	Marshall Valuation Service Tables
Respondent's Exhibit R-31:	Comparison of Coers' Depreciation Rates
Respondent's Exhibit R-32:	Response to Interrogatory No. 6.

8. The admission of the following exhibits was taken under advisement.

[2] Both appraisal reports were prepared by Integra Realty Resources with David Hall and Michael C. Lady as the appraisers. Because Hall appeared as the witness, the Board will refer to him when referencing the appraisal.

Respondent’s Exhibit R-19	2014 Industrial Depreciation Analysis by Gavin Fisher
Respondent’s Exhibit R-20:	Property Record Card for Tiffin Ave. Property
Respondent’s Exhibit R-21:	Property Record Card for State St. Property

9. Exhibit R-19 is a report on industrial properties in Elkhart County. This report was referenced by Hall in his 2016 appraisal, which was admitted without objection. The Board finds no reason why the report itself should be excluded, and the Board admits the exhibit.

10. As for Exhibits R-20 and R-21, which are property record cards, the Taxpayer objected on the grounds of lack of foundation and failure to authenticate. The Assessor responded that the exhibits were “self-identifying” public records. The Board finds these exhibits were introduced for the purpose of impeaching Coers’ representations in her appraisal regarding the locations of the Ohio properties used to establish her size to unit price ratio. The Taxpayer’s objection is largely one of hearsay, and the Taxpayer’s own witness conceded their accuracy. Because the Board does not rely solely on the hearsay of these exhibits in its determination, the Board admits them.

11. The record also includes all pleadings, briefs, and documents filed with the Board, all orders and notices issued by the Board or ALJ, and the transcript.

III. Findings of Fact and Conclusions of Law

A. Description of the Factory

12. The Factory is an 853,000 s/f manufacturing facility[3] located on 43 acres in an industrial area on the east side of the City of Elkhart. The land includes a 9.83 acre parcel that is not on appeal. The Factory was built in phases between 1982 and 2003, and also includes

[3] The experts’ descriptions of the Factory diverged in terms of square footage, ceiling heights, dates and areas of renovations, and types of construction of particular areas. Compare *Ex. P-1* at 40, 59, with *Ex. R-1* at 62. Coers relied on data provided by the engineer of the plant. *Tr*. at 42. Hall conducted his own inspection and analysis. *Ex. R-1* at 40. Overall, the Board finds Hall’s evidence to be more compelling. It should be noted that Hall concluded to less overall square footage than Coers. Hall also calculated less area with concrete construction (Hall’s areas F & G totaled 387,000 s/f compared to Coers’ 1 & 2 which totaled 427,000 s/f) and less area with taller ceilings (Hall’s areas A, C, D, & E totaled 286,000 s/f compared to Coers’ 2 & 4 which totaled 335,820 s/f).

a 6,400 s/f truck service building. The Factory has 8,746 s/f of finished office space.[4] The Factory has heavy electrical capacity that exceeds what would be found in a typical warehouse. The Factory has been well maintained with large annual expenditures on maintenance and upgrades. *Ex. P-1* at 13, 41; *Ex. R-1* at 13, 40; *Ex. R-2* at 41-42. *Ex. R-7*; *Ex. R-8*; *Ex. R-9*; *Ex. R-11*; *Tr*. at 304, 320-22.

13. The location of the Factory is well-supported by easy access to the Indiana Toll Road (Interstate 80/90) and US Highway 20. The property also has a dedicated rail spur on the Grand Elk Railroad. *Ex. R-1* at 29, 34.

14. The Factory is remarkably large. Only one other industrial building in Elkhart County exceeds 800,000 s/f under a single roof. Only one other industrial building exceeds 500,000 s/f. However, the property's size does not impair its value or marketability. *Ex. R-1* at 24-25; *Tr*. at 307.

B. Expert Opinions

1. Coers' 2012 Appraisal

15. The Taxpayer offered the testimony of Sarah H. Coers, a Member of the Appraisal Institute (MAI), and a licensed general appraiser in Indiana, Pennsylvania, and Ohio, with substantial experience valuing Indiana properties for assessment purposes. She offered appraisals for 2012 and 2016 in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP). *Ex. P-1* at 86-87; *Tr*. at 106.

16. Coers noted that Elkhart County was hit harder by the Great Recession than the rest of the country, but also rebounded more quickly. Availability rates were below 8% and vacancy rates were below 4% for industrial property, and net absorption rates were positive. Overall, Elkhart County was "re-stabilizing and in continued recovery as of the date of value." *Ex. P-1* at 29-31.

17. Coers considered the cost approach to be appropriate to value the Factory because it is a "limited market property due to its size." She believed owner-occupants were the most

[4] Coers provided a more detailed analysis of the office space, noting there were two larger office areas and several smaller areas totaling 8,746 s/f or roughly 1% of the Factory. *Ex. P-1* at 42. The Board relies on Coers' description of the office space.

likely buyers, and they would be most concerned with physical characteristics and location under the sales comparison approach. Because of the lack of rentals in the market, she did not consider the income approach to be applicable. *Ex. P-1* at 47-48.

18. She noted that bulk warehouses, though of similar size, have a different market than manufacturing properties like the Factory. Bulk warehouses are characterized by specialized dock construction and traffic patterns. They also lack sufficient power supply for manufacturing use. *Ex. P-1* at 63-64.

a. Coers' 2012 Cost Approach

19. Coers began her cost approach with valuing the land. Coers considered five Sales in Elkhart County ranging from 10 to 18 acres. After adjustments for size and shape, the mean was $22,127 per acre. Coers selected a base rate of $22,000 per acre and valued the land at $950,000. *Ex. P-1* at 52, 55.

20. In estimating the cost of the building, Coers did not apply the standard schedules for "light industrial/manufacturing." Because the Factory has 1% office space rather than the 4%-12% contemplated in the standard valuation schedules, she used the "alternate calculator method" for the building shell and office space. She concluded that the Factory "most closely matches the description of the average type for class C and class S construction under Light Industrial/Warehouse Shell Buildings." She used the schedules for Average Industrial Interior Office Space for the office and Class C Low Cost Service (Repair) Garages for the truck service building. She made additional calculations and adjustments for sprinklers, HVAC, perimeter, height, current cost, and local cost. *Ex. P-1* at 57-59.

21. Coers used base costs of $37 per s/f for Class C and $32 per s/f for Class S construction. She added costs for 8,746 s/f of office space. She separately valued the service garage. She also calculated the cost of site improvements and soft costs (at 2%). She did not include entrepreneurial profit. *Ex. P-1* at 59-60.

22. Coers calculated the weighted actual age for the Factory at 23 years. She estimated depreciation based on a market extraction from the four sales used in her sales comparison approach. For each sale, she estimated the cost new of the improvements and

the value of the land as of the sale date.[5] She compared the cost of the improvements to their actual sale prices (less the land value) to reach an implied depreciation rate. She applied the average of the depreciation rates (2.8%), which equated to a roughly 35-year life expectancy. Based on the weighted age, she applied a 64.4% depreciation adjustment.

Improvements	$31,329,644
Site Improvements	$1,030,420
Soft Costs	$647,201
Depreciation	($21,256,679)
Depreciated Improvements	$11,750,586
Land Value	$950,000
Cost Approach Value	$12,700,586

Ex. P-1 at 61-62; *Tr*. at 66.

23. Coers concluded to $12,700,000 (prior to excluding the value of the parcel not on appeal) under the cost approach for the year 2012.

24. The Assessor took exception to Coers' use of the "warehouse" rather than "light manufacturing" schedules. Coers explained that the selection was intended to reflect the small amount of actual office space in the Factory. *Tr*. at 172.

b. Coers' 2012 Sales Comparison Approach

25. In identifying comparable properties, Coers looked to northern Indiana due to the abundance of large manufacturers. Primary consideration was given to facilities larger than 200,000 s/f. *Ex. P-1* at 63.

26. Coers selected four sales in Elkhart, Whitley, and St. Joseph Counties. All of the properties were substantially smaller than the Factory. Sales 1-3 were of steel construction. Sale 1 was a leased-fee sale and not purchased for owner-occupied use. Sale 2 involved an owner-occupier buyer, but the sale also included a 3-year leaseback to the seller for a portion of the facility. Sale 3 involved a tenant who purchased the

[5] Coers admitted that she "had not been in all of those buildings and it's not absolutely perfect." *Tr*. at 66. For Sale 4, Coers made an error: the sale price of $3,300,000 less her estimated land value of $380,000 does not equal $3,170,000.

property after a short lease. Sale 4 involved a tenant who had previously vacated the property, but then purchased the property for the purpose of eliminating a "long term lease that was in place." *Ex. P-1* at 65-75; *Tr*. at 77.

27. Coers considered three of the Sales substantially superior, making net adjustments to the sale prices by as much as 40%. She considered the Factory inferior due to its size, its age and condition, amount of office space, and land-to-building ratio. *Ex. P-1* at 75.

28. The adjustments for size related to Coers' presumed inverse relationship between size and unit price. She based her ratio on two sales in Ohio[6] from which she developed a 3% adjustment for sales above 300,000 s/f and a 6% adjustment for sales below 300,000 s/f. The Assessor noted that Coers' work file included two manufacturing properties, each built in the 1960s, sold in April and June of 2013, with one at 223,000 s/f and the other at 1,102,799 s/f. They sold for nearly identical unit prices: $5.83 and $5.89 per s/f, suggesting very little difference in the relation between size and unit price. Coers believed she had insufficient data regarding one of the sales, and was unsure if another was put to multi-tenant use, and accordingly "did not feel comfortable" to use them for her size to unit price analysis. Coers admitted that it was an "imperfect market," and it was very difficult to find data to establish the size to base unit ratio. *Ex. P-1* at 77-78; *Ex. R-25*; *Ex. R-26*; *Tr*. at 83, 142-44, 148-49.

	Subject	Sale 1	Sale 2	Sale 3	Sale 4
Location	Elkhart	Goshen	Columbia City	Mishawaka	Elkhart
Sale Price		$10,300,000	$5,675,000	$2,675,000	$3,300,000
Price per unit	$ 14.00	$ 28.85	$ 22.91	$ 9.49	$ 15.19
Adjusted price per unit	$ 14.00	$ 18.30	$ 15.17	$ 10.18	$ 13.13
Size	861100	357036	247691	282000	217300
Acreage	43.25	43.87	16.97	21.32	12.55
Year Constructed	1983-2003	1978; 2002	1998-2005	1970; 1998	1992
Construction Type	C, S	S	S	S	Pre-Engineered
Use	Manufacturing	?	Manufacturing	Book Distributor	?
Occupancy	Owner	Tenant	Partial lease-back	Tenant	Vacated Tenant

[6] Coers admitted that she incorrectly stated in her appraisal that both properties were located in Trumbull County, Ohio. She clarified that she should have stated they were both in "northeastern Ohio." *Tr*. at 137. In fact, one property was located near Sandusky, in the center-north of Ohio on Lake Erie, and the other along the Pennsylvania border more than 120 miles away. *Tr*. at 138-39.

29. The Assessor challenged Coers' use of Sale 1 as a leased-fee sale. Coers admitted that her analysis of rent to adjust the leased-fee sale was not in writing and consisted of a "look at rent in the context of the market." The actual adjustment was an application of "market vacancy and expenses" of 9%. The Assessor also took exception to the 25% adjustment to Sale 1 for condition, when both properties were built over substantially similar time frames. Coers admitted that she did not tour Sale 1 to compare its condition. *Tr*. at 155-58.

30. The Assessor noted that Sale 2 involved a sale-leaseback. Coers admitted that the transaction involved the buyer occupying 150,000 s/f and the seller occupying the remainder of the 247,000 s/f building for 3 years. She refused, however, to directly admit or deny that the property should be classified as a sale-leaseback. *Tr*. at 159-60.

31. As for Sale 3, the Assessor noted the sale was not an arm's length transaction because the property was not listed for sale, and the tenant purchased the property. Coers admitted on cross-examination that the sale was leased-fee, and that she did not know the terms of the lease. *Tr*. at 160-62.

32. As for Sale 4, the Assessor noted that Coers' work file indicated that the building was 12,000 s/f larger than indicated in her appraisal. Coers admitted that she got "hung up" on an addition that she thought was there but "maybe wasn't." *Tr*. at 163-166.

33. Coers' adjusted values ranged from $10.18 to $18.30, and she selected the mean, rounded down to $14.00 per s/f. Coers concluded to $12,060,000 (prior to excluding the value of the parcel not on appeal) under the sales comparison approach for 2012. *Ex. P-1* at 77.

34. Coers reconciled her cost and sales comparison approaches to value the Factory at $12,380,000 (prior to excluding the value of the parcel not on appeal) for the year 2012.

2. Coers' 2016 Appraisal

35. Coers reached the same conclusions as in her 2012 analysis regarding the applicability of the cost, sales comparison, and income approaches. Coers noted that the market in Elkhart County in 2016 had recovered from the recession with low unemployment, low

vacancy, accelerating new deliveries, positive absorption, and stabilized growth. *Ex. P-2* at 25, 29, 31; *Tr*. at 96.

a. Coers' 2016 Cost Approach

36. Coers began her cost approach with valuing the land. She considered five Sales in Elkhart County ranging from 15 to 80 acres. After adjustments for size and shape, the mean was $27,641 per acre. Coers selected $28,000 per acre as her base rate and valued the land at $1,210,000. *Ex. P-2* at 53, 55.

37. Coers slightly adjusted the building size in 2016 for additional docks. She followed the same analysis as in 2012 but with updated costs and trending. Coers re-calculated her depreciation based on market extraction from her 2016 sales, which resulted in lower annual depreciation (2.25%). Accordingly, she applied 60.75% depreciation based on a weighted age of 27 years.

Improvements	$33,853,467
Site Improvements	$1,030,200
Soft Costs	$699,673
Depreciation	($21,677,629)
Depreciated Improvements	$14,005,711
Land Value	$1,210,000
Cost Approach Value	$15,215,711

Ex. P-2 at 61; *Tr*. at 95, 99-101.

38. Coers concluded to $15,220,000[7] (prior to excluding the value of the parcel not on appeal) under the cost approach for the year 2016. *Ex. P-2* at 62.

b. Coers' 2016 Sales Comparison Approach

39. Coers applied the same analysis in 2016 as she did for 2012. She selected four sales in Elkhart and Allen Counties. The buildings were all substantially smaller than the Factory. All of the buildings were of steel construction. Sale 4 involved the purchase of

[7] In light of Hall's testimony, Coers later admitted that she erred in her 2016 trending factors. Her trending factors should have been 1.086 rather than 1.071 for Areas 1, 2, 5, and 6, and for the Site Improvements, and 1.093 rather than 1.071 for Areas 3 and 4. The corrected numbers for the cost approach would have resulted in "$15,000,000 even" prior to the exclusion of the excess parcel. She did not amend her appraisal or her conclusions to reflect the $220,000 difference. *Ex. P-9*; *Tr*. at 230, 513-15.

both the business and the real estate. All of the sales dated to 2013 and 2014, prior to the robust market of 2016. *Ex. P-1* at 73-74; *Tr*. at 102, 177.

40. Coers made adjustments for the same factors considered in her 2012 analysis, though the net adjustments were much smaller, and no higher than 23%. She relied on the same Ohio properties to support her unit price adjustments for size. *Ex. P-1* at 76-77; *Tr*. at 104.

	Subject	Sale 1	Sale 2	Sale 3	Sale 4
Location	Elkhart	Fort Wayne	Nappanee	Elkhart	Elkhart
Sale Price		$6,850,000	$2,900,000	$1,375,000	$5,000,000
Price per unit	$17.00	$19.13	$13.51	$5.33	$20.60
Adjusted price per unit	$17.00	$20.01	$15.24	$6.84	$16.59
Size	861100	357036	247691	282000	217300
Acreage	43.25	45.3	19.3	14	22.11
Year Constructed	1983-2003	1971	1983	1979-1988	1998
Construction Type	C, S	S	S	S	S
Use	Manufacturing	?	?	?	?
Occupancy	Owner	Owner	?	?	Owner

41. The Assessor challenged Coers for using different depreciation rates in her appraisals, which resulted in the Factory being affected by almost no depreciation between 2012 and 2016. Coers explained that this method measured both depreciation and obsolescence, and how the market views an older building may change with the economy. The Assessor also challenged the sale price of Sale 4 as likely being an allocation of the purchase from the sale of the business. Coers admitted that it was "definitely a possibility," but didn't find any evidence to support that. *Tr*. at 175-76, 179-80.

42. Though the average adjusted unit price was $14.67, Coers considered Sale 3 to be an outlier and gave it less consideration. She selected $17 per s/f, and concluded to $14,650,000 (prior to excluding the value of the excess parcel) under the sales comparison approach for the year 2016. *Ex. P-2* at 105.

43. Coers reconciled her cost and sales comparison approaches to value the Factory at $14,940,000 (prior to excluding the value of the parcel not on appeal) for the year 2016. She did not adjust her conclusion in light of the error in her cost approach. *Tr*. at 518.

3. Hall's Rebuttal of Coers' Appraisals

44. The Assessor called David Hall, a licensed Indiana general appraiser and MAI, to testify regarding his review of Coers' appraisals. He also presented USPAP compliant appraisals for 2012 and 2016. He did not perform a review appraisal of Coers' work, but presented testimony regarding methodology, data, and analyses. *Tr*. at 188-89, 244-45.

45. Hall testified that he believed the category for "warehouse shell" in the MVS schedules was intended to apply to warehouse properties as a "more specific description of that particular cost category." He stated that the replacement costs for manufacturing buildings tended to be higher due to insulation for sound and vibration, heavier concrete slabs for machinery, and heavier electrical. The term "industrial" refers to lots of uses, including manufacturing, warehouse, mini-warehouse, and cold storage. Accordingly, light industrial does not necessarily mean manufacturing, and the use of a warehouse category should not be used to value a manufacturing facility. After hearing Hall's testimony, Coers was provided an opportunity to address her decision regarding the competing MVS schedules. She did not offer further clarification. *Tr*. at 192-94, 515.

46. As for Coers' market extraction analysis for depreciation, Hall noted that the Appraisal of Real Estate requires the appraiser to identify properties that are similar in age and utility, and make adjustments for differences. Due to the variances among Coers' 2012 Sales in regard to size, age, conditions of sale, location, etc., Hall would have expected to have seen adjustments as part of Coers' analysis. *Tr*. at 195-96.

47. Hall found that the description of Coers' 2012 Sale 2 meets the definitional standard for a sale-leaseback transaction. Likewise for Sale 3, a purchase by a tenant after a short lease is not uncommon, but the price is usually negotiated in advance and may or may not be reflective of that property's true market value at the time the transaction occurs. Hall stated that for 2012 Sales 1-3, Coers did not identify market lease rates, and she did not make adjustments as required under the Appraisal of Real Estate. *Tr*. at 210-12.

4. Hall's 2012 Appraisal

48. Hall's appraisal was originally completed in 2017 and he later updated it through a transmittal letter in 2018. In his update, Hall eliminated entrepreneurial profit from his

cost approach, and he eliminated consideration of leased-fee sales in his sales comparison approach. Hall characterized the appraisal as a "difficult assignment" because the property was unique and "sort of a unicorn." For this kind of limited market property, he stated that it is "really tough to find comparable sales." Hall reached similar conclusions as Coers regarding market conditions in Elkhart County and the relevant characteristics of the Factory and its market segment. *Tr*. at 260-63, 266-67.

a. Hall's 2012 Cost Approach

49. Hall noted that the lack of comparable sales data is something that affects buyers as well as sellers, and accordingly, both parties tend to be "well educated about cost." Industrial property owners also commonly expand their operations on site, adding to the original building, and they are familiar with the costs of renovation or expansion. Accordingly, Hall concluded that the cost approach should be given "significant consideration." *Tr*. at 364-66.

50. For establishing the land value, Hall considered five primary sales in Elkhart County and four secondary sales. He relied on his primary sales, which ranged in size from roughly 11 to 20 acres, and the adjusted average price per acre was $23,235. Hall selected $23,000 per acre as his base rate and valued the Factory's land at $990,000. *Ex. R-1* at 71-80, 87.

51. Hall selected base costs of $41.50 per s/f for steel construction and $45.38 per s/f for concrete construction for the Industrials, Light Manufacturing MVS[8] schedules for Class C and Class S Average. These base values were adjusted to include sprinklers and multipliers for current costs, location, height, and perimeter. Hall separately calculated the value of the service garage under the same schedule Coers used. *Ex. R-1* at 88-89, 91-92.

52. For site improvements, Hall arrived at $1,204,200. For indirect costs, Hall included a 3% allowance. Originally, Hall included entrepreneurial profit in the amount of 10%, but removed it in his updated valuation. *Ex. P-1* at 89-90, 96, update letter p 5.

[8] Rather than using a recent edition and trending backwards, Hall used the January 2012 and January 2016 issues of the MVS manuals. *Tr*. at 366.

53. For depreciation, Hall applied the age-life method on a straight-line basis. He concluded there was insufficient data for a market-extraction estimate of life expectancy. The concrete areas had a 40 year life expectancy while the steel areas and the service garage had 35 year life expectancies.[9] Based on weighted averages, the overall depreciation was 59.5% for the building improvements and 50% for the site improvements. Hall did not identify functional or external obsolescence.

Improvements	$37,601,216
Site Improvements	$1,204,200
Soft Costs	$1,164,162
Depreciation	($23,646,556)
Depreciated Improvements	$16,323,022
Land Value	$990,000
Cost Approach Value	$17,313,022

Ex. R-1 at 93, 95-96, update letter 5; *Tr*. at 319.

54. Hall concluded to $17,310,000 (prior to excluding the value of the parcel not on appeal) under the cost approach for the year 2012.

b. Hall's 2012 Sales Comparison Approach

55. For the sales comparison approach, Hall looked for industrial properties in excess of 300,000 s/f. He identified six primary sales and four secondary sales. He limited his final opinion of value to four sales, consisting of Primary Sales 2, 4, 6, and Secondary Sale 1, which became Reconciliation Sales 1-4 respectively. Reconciliation Sales 1 and 2 have multiple large manufacturing buildings. Reconciliation Sale 3 sold in 2008, prior to the Great Recession. Reconciliation Sale 1 involved a seller who held an interest in the buyer's company. Reconciliation Sale 2 was purchased out of bankruptcy by Chrysler, one of the companies that originally constructed it for manufacturing transmissions. *Ex. R-1* at 98, 100-1, 108

[9] Hall used life expectancies of 20, 12, and 4 years on the site improvements. *Ex. R-1* at 96, update letter p 5.

56. Hall determined, from a review of his sales, that there was little difference in unit price relative to size, and made no adjustments for size.[10] Hall made adjustments for ceiling heights, location/land, functional utility, and age/condition. For age, Hall adjusted at a rate of 1% per difference in age, based on the presumption that buildings depreciate more quickly in their early rather than middle years.

	Subject	Sale 1	Sale 2	Sale 3	Sale 4
Location	Elkhart	Middlebury	Tipton	Westfield	Shelbyville
Sale Price		$8,000,000	$25,000,000	$6,600,000	$12,500,000
Price per unit	$20.50	$18.85	$31.99	$19.95	$35.21
Adjusted price per unit	$20.50	$18.66	$22.07	$19.14	$23.03
Size	861100	424396	781500	330822	355000
Acreage	43.25	68.91	101.39	31.54	43
Year Constructed	1983-2003	1996-2005	2008	1993-1995	1998-2000
Construction Type	C, S	S	S	C,S	S
Use	Manuf.	Manuf./Ware.	Manuf.	Warehouse	Manuf./Ware.
Occupancy	Owner	Owner	Owner	Owner	Owner

Ex. R-1 at 105-8, update at 7.

57. The Taxpayer challenged Reconciliation Sale 1 as not an arm's length transaction due to the seller's relationship with the buyer. Likewise the Taxpayer challenged the use of Reconciliation Sale 4, a 2016 sale because it occurred four years after the valuation date. The Taxpayer also challenged whether Hall's adjustments for age in his sales comparison approach were consistent with his cost approach. Hall noted that those adjustments are similar in the two approaches, but actually adjust for different comparisons and are derived through separate processes. *Tr*. at 408, 411, 480.

58. The average adjusted unit price of his primary sales was $20.73 per s/f. Hall rounded down to $20.50 and concluded to $17,620,000 (prior to excluding the value of the parcel not on appeal), under the sales comparison approach for the year 2012. *Ex. R-1* at 109.

[10] While Hall did not conduct a paired sales analysis, he noted that Primary Sale 3 (740,000 s/f) and Secondary Sale 6 (330,000 s/f) were very similar in characteristics except for size, and their sale prices suggested to him little difference in per unit price. *Tr*. at 331.

59. Hall reconciled his cost and sales comparison approaches to value the Factory at $17,400,000 (prior to excluding the value of the parcel not on appeal) for the year 2012.

5. Hall's 2016 Appraisal

60. For 2016, Hall applied the same techniques as in his 2012 appraisal, but also included an income capitalization approach. Hall reached similar conclusions as Coers regarding the Elkhart County market in 2016. *Ex. R-2* at 23-26.

a. Hall's 2016 Cost Approach

61. As for land value, Hall considered nine comparable sales ranging from 12 to 80 acres with an adjusted average of $25,703 per acre. Hall selected a base rate of $25,500 per acre, and valued the land at $1,100,000. *Ex. R-2* at 79-80.

62. Hall applied the same MVS schedules with updated adjustments for sprinklers and cost multipliers for the building and site improvements. *Ex. R-2* at 84, 86.

63. Hall noted several building permits for capital improvements at the Factory between 2012 and 2016, totaling around $800,000. Based on these repairs and the overall upkeep of the property, he slightly changed the weighted effective age to 25 rather than 27 years. Hall also considered a report on industrial properties in Elkhart County that might have suggested a typical life span in the range of 60 to 70 years, which would have resulted in significantly less depreciation. But he did not base his conclusions on that study.

Improvements	$40,847,000
Site Improvements	$1,424,930
Soft Costs	$1,268,158
Depreciation	($28,090,758)
Total Depreciated Improv.	$15,449,330
Land Value	$1,100,000
Cost Approach Value	$16,549,330

Ex. R-2 at 42; 86-87; *Tr*. at 359.

64. Hall concluded to $16,550,000 (prior to excluding the value of the parcel not on appeal) under the cost approach for 2016.

b. Hall's 2016 Sales Comparison Approach

65. Hall's sales comparison approach consisted of the four Reconciliation Sales from his 2012 analysis (Sales 1-4), plus three additional sales (Sales 5-6). Hall noted that he could not find "a single perfect sale" and despite his best efforts, "there weren't any to be found." Sale 5 was part of the purchase of the business. Sales 5-6 were all less than 150,000 s/f. *Ex. R-2* at 93-4; *Tr*. at 370.

66. Hall made adjustments consistent with his 2012 analysis for conditions of sale, market conditions, location/land, ceiling heights, functional utility, and age/condition. *Ex. R-2* at 104.

	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7
Location	Elkhart	Shelbyville	Middlebury	Tipton	Westfield	Bristol	Bristol	Elkhart
Sale Price		$12,500,000	$8,000,000	$25,000,000	$6,600,000	$3,500,000	$2,500,000	$2,500,000
Price per s/f		$35.21	$18.85	$31.99	$19.95	$30.54	$22.98	$18.63
Adj. price per s/f	$21.50	$24.16	$19.56	$23.15	$21.33	$26.14	$19.86	$18.11
Size	861100	355000	424396	781500	330822	114606	108768	134166
Acreage	43.25	43	68.91	101.39	31.54	37.52	11.12	26.15
Year Constr.	1983-2003	1998-2000	1996-2005	2008	1993-1995	1980	2004	1994
Constr. Type	C, S	S	S	S	C,S	?	S	?
Use	Manuf.	Manuf.	Manuf./Ware.	Manuf.	Ware.	Manuf.	?	Manuf.
Occupancy	Owner	Owner	Owner	Owner	Owner	Owner	Owner	Owner

67. In addition to the challenges to the sales from 2012, Taxpayer challenged Hall's Sale 5 and his failure to independently determine the value of the land separate from the business assets. *Tr*. at 419.

68. The average adjusted price per unit was $21.76 per s/f. Hall rounded to $21.50 per s/f and concluded to $18,480,000 (prior to excluding the value of the parcel not on appeal) under the sales comparison approach for 2016. *Ex. R-2* at 105.

c. Hall's 2016 Income Capitalization Approach

69. Hall included an income capitalization approach for his 2016 valuation. He noted that the available data was limited due to the prevalence of owner-occupied (non-rental) properties, and he expanded his search beyond Elkhart County. Hall admitted that he treated manufacturing and warehouse facilities somewhat interchangeably in his analysis. He justified this on a mostly anecdotal conclusion that rental rates for both types of property were in the same "ballpark." *Ex. R-2* at 106; *Tr*. at 376.

70. In identifying market rent, Hall looked to four properties in central Indiana and one in Akron, Ohio. Sale 2 involved a manufacturing facility, but the remaining four sales were industrial distribution facilities. Hall considered the warehouse Sales to be reliable because they had buildings with construction quality that was more typical of manufacturing properties. The unadjusted rents ranged from $1.70 per s/f to $4.27 per s/f. Hall considered qualitative adjustments for several factors, including location, market conditions, and age. He relied primarily on Leases 1, 2, and 4, and selected a market rent of $2.25 per s/f. *Ex. R-2* at 107, 110-11; *Tr*. at 475.

71. Hall applied 5% vacancy and collection loss based on data published by Co-Star for industrial properties greater than 300,000 s/f. He estimated management fees of 2.5% and replacement reserves of $.15 per s/f. Accordingly, Hall estimated net operating income of $1,662,133. *Ex. R-2* at 112-15.

72. In identifying a capitalization rate, Hall looked to four sales with rates that ranged from 6.75% to 10.21%. Three of these properties were warehouses. He also considered four categories of survey data published by PwC and Realty Rates that indicated a range of 8.44% to 9.79%. Three of these categories were solely warehouse properties, and one reflected all industrial types and classes. Hall also conducted a band of investment analysis that indicated an 8.76% rate. From these, Hall selected 9% for his cap rate. *Ex. R-2* at 116-18.

73. After applying his cap rate to his net operating income, Hall concluded to $18,470,000 (prior to excluding the value of the parcel not on appeal) under the income capitalization approach for the year 2016. *Ex. R-2* at 118.

74. The Taxpayer challenged Hall's use of leases for bulk and industrial distribution centers to establish market rent. Hall conceded that his capitalization rates were based on warehouse data, but that was necessary because there were no surveys for manufacturing properties. *Tr*. at 448-49, 460.

75. Hall reconciled his three approaches to value the Factory at $17,900,000 (prior to excluding the value of the parcel not on appeal) for the year 2016. He suggested that the cost approach was the strongest indicator of value, but his final value was closer to his sales comparison and income approach values. *Ex. R-2* at 120; *Tr*. at 381-82, 477.

6. Coers' Rebuttal of Hall's Appraisals

76. The Taxpayer called Coers as a rebuttal witness. She did not perform a review appraisal of Hall's work. She offered her thoughts on why she might have rejected some of the data applied by Hall. Coers stated that she would not have considered the Shelbyville property (Hall's 2012 Reconciliation Sale 4 and 2016 Sale 1) as a good comparable due to its location outside of northern Indiana and the presence of tax credits and other incentives offered to the buyer. She did not think it would be possible to make a good adjustment for those conditions of sale. She also noted the property's extraordinary ceiling heights of 50 feet in one area, which might impact the sale price. *Ex. P-6*; *Tr*. at 497, 499.

77. Likewise, Coers would not have used the Four Seasons Housing property (Hall's 2012 Reconciliation Sale 1 and 2016 Sale 2) because it had multiple buildings. More importantly, she believed that the seller's equity interest in the buyer called into question whether it was an arm's length transaction. *Tr*. at 499-500.

78. As for the Tipton property (Hall's 2012 Reconciliation Sale 2 and 2016 Sale 3), Coers noted the property consists of two buildings and is dissimilar from the Factory. More importantly, the property went through bankruptcy, and the original owner ended up buying it out of bankruptcy after another leasing deal fell through. The history of the property simply had "too many moving pieces" for her to use. *Tr*. at 501-2.

79. Coers would have rejected Hall's 2016 Sale 4, sold 8 years before the valuation date as too old. As for Hall's 2016 Sale 5, she believed the food production facility's higher standards might impact its value. She also considered Hall's 2016 Sales 6 and 7 to be too small to compare to the Factory. *Tr*. at 502-4.

80. As for Hall's income approach, she considered Hall's data to be inappropriate because Leases 1 and 3 were "classic modern bulk distribution facilities" and reflected a different market than the Factory. She was also concerned that the data strayed too far from the northern Indiana market. *Tr*. at 505-6.

C. Conclusions of Law and Analysis

1. Burden of Proof

81. Generally, a taxpayer seeking review of an assessing official's determination has the burden of proving that the assessment is wrong and what the correct assessment should be. *See Meridian Towers East & West v. Washington Twp. Assessor*, 805 N.E.2d 475, 478 (Ind. Tax Ct. 2003); see also *Clark v. State Bd. of Tax Comm'rs*, 694 N.E.2d 1230 (Ind. Tax Ct. 1998). A burden-shifting statute creates two exceptions to the rule. Ind. Code § 6.1-1.1-15-17.1. The Taxpayer conceded it had the burden of proof. *Tr*. at 10. Where each party presents expert testimony and facially probative appraisals, the burden of proof is met and the Board must weigh the evidence and determine the true tax value of the property.

2. Conclusions of Law

82. In Indiana, assessments are based on a property's "true tax value." True tax value does not mean fair market value. Ind. Code § 6-1.1-31-6(c). Nor does true tax value mean the value of the property to the user. Ind. Code § 6.1-1.1-31-6(e). Subject to these somewhat tautological directives, the Legislature relies on the Indiana Department of Local Government Finance ("DLGF") to define true tax value. Ind. Code § 6-1.1-31-6(f). The DLGF defines true tax value as: "the market value-in-use of a property for its current use, as reflected by the utility received by the owner or a similar user, from the property." MANUAL at 2.

83. The MANUAL offers further guidance. It defines "market value-in-use," "value in use," and "use value," as being synonymous. MANUAL at 6-8. But it also states that a property's true tax value will equal its value-in-exchange when properties are frequently exchanged and used for the same purposes by the buyer and seller. *Id*. at 2, 4.

84. True tax value is something other than purely market value or value-in-use. Given the mandates from the Indiana Supreme Court and the Legislature, the DLGF created a valuation standard that relies heavily on what it terms as objectively verifiable data from the market, but still maintains the notion of property wealth gained through utility, and therefore recognizes situations where true tax value will differ from market value.

85. In Indiana "each assessment and each tax year stands alone" and the Board "evaluates each property's value based on its specific facts and circumstances." *CVS Corp. v. Monroe Cty. Assessor*, 83 N.E.3d 1286, 1292 (Ind. Tax Ct. 2017). The Board is "not bound to reach the same conclusions regarding the persuasive value of an appraiser's reports and valuation methods for different tax years or different properties." *Id*. The Tax Court has held that the "valuation of property is an opinion and not an exact science." *Monroe Cty. Assessor v. SCP* 2007-C-26-002, LLC, 62 N.E.3d 478, 482 (Ind. Tax Ct. 2016).

86. A trier of fact is often "faced with [multiple] qualified experts who presented diametrically opposed opinions, supported by extensive reports and reasoning, as to the value of [certain] real estate." *Crider v. Crider*, 15 N.E.3d 1042 (Ind. Ct. App. 2014). It is up to the trier of fact to "judge the credibility of the battling expert witnesses." *Id*. at 1059 (quoting *Goodwine v. Goodwine*, 819 N.E.2d 824, 830 (Ind. Ct. App. 2004)). The Board must determine what portions of an appraisal are supported by the evidence:

> The Indiana Board is Indiana's property valuation and assessment expert. Consequently, when the Indiana Board ascertains . . . that parts of an appraisal are not probative, it should not then accept those parts of the appraisal to value the property.

Marion County Assessor v. Wash. Square Mall, LLC, 46 N.E.3d 1, 14 (Ind. Tax Ct. 2015).

87. “Indiana's property tax system taxes the value of real property — and not intangible business value, investment value, or the value of contractual rights.” *Switzerland. Cty. Assessor v. Belterra Resort Ind., LLC*, 101 N.E.3d 895, 905, (Ind. Tax Ct. 2018). Accordingly, the Tax Court has rejected arguments that assessments should include something more than “the value of the ‘sticks and bricks.’” *Stinson v. Trimas Fasteners, Inc.*, 923 N.E.2d 496, 501 (Ind. Tax Ct. 2010). Rather, an assessment must value only the “real property rights for ad valorem taxation.” *Grant County Assessor v. Kerasotes Showplace Theatres, LLC*, 955 N.E.2d 876, 882 (Ind. Tax Ct. 2011) (noting that sale lease-back transactions may include more than just the real property).

3. Analysis

88. The appraisers were in agreement that the Factory has a limited market due to its size. Both appraisers struggled to find satisfactory comparable properties. Because there were no sales of similarly sized properties and few sold in typical arm’s length transactions, both appraisers relied on weak and speculative data. The Board concludes that the sales comparison and income approaches were much less reliable than the cost approaches.

89. Before addressing the approaches in particular, the Board must address the credibility of the appraisers. In weighing the testimony of the appraisers as a whole, the Board finds that Coers was less credible than Hall.

90. In particular, Coers refused to admit that one of her Sales involved a partial sale-leaseback and another was an allocation from the sale of a business. Only on cross-examination did she admit that one of her 2012 sales was not exposed to the market and could not be characterized as an arm’s length transaction. This reluctance to admit to weaknesses in her analysis calls into question her integrity as an appraiser. Likewise, Coers’ description in her appraisal reports of the Ohio sales used for her size to base unit ratio was misleading, reflecting what can charitably be described as a troubling degree of carelessness. Coers’ appraisal also contained mathematical errors, which she dismissed as minor. The Board does not believe a $200,000 error is minor, and many property tax appeals involve disputes of substantially less money. These mistakes, among others, reflect unfavorably on her work product as a whole.

91. Hall was more methodical and careful in his analysis. He followed the facts where they led and reached conclusions about the size and construction of the Factory that resulted in less expensive replacement costs (less area with concrete construction and less area with tall ceilings). He freely admitted that it was very difficult to develop sales comparison and income approaches based on the data available. Hall conscientiously reconsidered his use of leased-fee sales in light of Indiana law, and updated his 2012 appraisal to reflect a lower value. He intentionally presented more data, rather than less, and came across as reasonable and credible.

92. In examining Coers' sales comparison approaches, all of Coers' 2012 Sales were problematic. Sale 1 was a leased-fee transaction, and she did not appropriately adjust it. Sale 2 involved a partial sale lease-back. Sale 3 was purchased by a tenant and was not exposed to the market. Sale 4 was not a typical arm's length transaction because the tenant vacated and purchased the property to buy out the lease. For 2016, Coers' Sale 4 was a transaction involving the sale of the business, and she did not independently verify whether the allocation to the real property reflected a market valuation. Coers admitted that Sale 3 was an outlier and did not rely on it in her valuation. Left with only two Sales, the Board finds that Coers' 2016 sales approach is insufficient to offer a probative value for the Factory. Even putting aside these problems, the Board finds her adjustments were poorly supported as well. In particular, the Ohio paired sales analysis for her size to base unit ratio was very weak support for her adjustments. In light of the more reliable data available under the cost approach, the Board finds that Coers' sales comparison approach was not probative of the value of the Factory.

93. Hall's sales comparison approach had substantial flaws as well. One of his sales involved a seller who had an interest in the buyer's company. The Chrysler transmission property is likely more heavy duty than the Factory which is used to manufacture cushions, and its bankruptcy history makes it an atypical transaction. One of his 2012 Sales sold four years after the valuation date. All but one of his 2016 Sales dated to 2012 or earlier, including one sold in 2008. We agree with Hall that the Factory is a bit of a "unicorn," and accordingly, there is insufficient data for a compelling and probative value under the sales comparison approach. While convinced that Hall did the best he could

with the data available, the Board finds the sales comparison approach was not probative in light of the evidence available under the cost approach.

94. As for Hall's income approach, he considered the income of warehouse properties rather than manufacturing properties. While he freely admitted that he did so based on the lack of rental data for manufacturing facilities, both experts agreed that warehouses and manufacturing facilities generally occupy different markets. The Board finds Hall's income approach lacks probative value because it was too speculative as to the value of a manufacturing facility like the Factory.

95. In contrast, there was substantial agreement regarding the choices by the appraisers in the cost approach. Both appraisers found the cost approach to be reliable in valuing the Factory. Hall noted that most industrial owners anticipate expanding their operations and are knowledgeable about construction costs and depreciation. Both appraisers arrived at similar land values. Both appraisers agreed that the property should be classified as Class C and Class S Average. For soft or indirect costs, there was little analysis and little disagreement as Coers chose 2% and Hall chose 3%. Both parties declined to include entrepreneurial profit in their final valuations.

96. The parties agreed on the Factory's weighted actual age for both years. Hall's conclusion that the effective age for 2016 should be adjusted based on the capital expenditures before and near the 2016 valuation date was conservative and supported by his research. While the appraisers calculated depreciation rates differently, both concluded in the range of 35-40 year life expectancies. Coers relied on data from her sales comparison approach to estimate depreciation. Because the Board has determined those Sales were flawed, the Board adopts Hall's straight-line depreciation method.

97. The central dispute between the appraisers was the choice of MVS cost schedules. Hall applied the category for "light manufacturing." It is undisputed that the Factory is used for light manufacturing. The Taxpayer did not expressly challenge Hall's use of that category. It challenged only his failure to account for excess office space. *See Pet.'r Post Hearing Br*. at 18-19.

98. In contrast, Coers applied the schedule for "light industrial/warehouse shell." She defended her choice of this schedule based on her conclusion that the "light manufacturing" schedule would overestimate the cost of the office space for the Factory. She suggested that her use of the "warehouse shell" schedule was merely a piecemeal manner of estimating the cost of light industrial buildings, whereby the cost of the office space and HVAC is isolated. She did not cite to any authority in support of her position. Coers' analysis implied that a warehouse shell and a manufacturing shell were the same thing. Hall testified that manufacturing facilities generally have heavier slabs, greater electrical capacity, and more insulation than warehouses. However, he did not break down exactly what MVS included or omitted in each category.

99. MVS Section 14 does not define "warehouse shell buildings." In regard to the "Light Industrial/Warehouse Shell Buildings (454)" category, the Board notes that the operative words are "warehouse shell." *Ex. R-30* Section 14 Page 35. Under the introduction to Section 14, the paragraph addressing "Industrial Buildings" refers to those designed for "manufacturing processes," and separates them into "Light industrials," "Heavy industrials," and "Engineering and research and development." *Id*. at 1. The paragraph addressing "Warehouses" refers to buildings designed primarily for storage, and separates them into "Distribution warehouses," "Mega warehouses," and Cold storage facilities."[11] *Id*.

100. Section 14 does provide a general explanation, albeit in a section addressing photographs of industrial buildings, that provides a suitable explanation:

> Industrial buildings, warehouses, and lofts form a family of buildings which often use similar shells. A general purpose shell may be built with minimum lighting, plumbing, and office space, to be used as a warehouse. With better lighting, plumbing to accommodate a higher personnel density, enlarged office space, and ancillary items, it may become a manufacturing plant.

Ex. R-30 at Section 14 Page 3. From this, the Board concludes that a warehouse shell is of minimum construction, and only if properly finished with better lighting, plumbing

[11] The descriptions also note typical office space of 4%-12% for industrial properties and 3%-12% for warehouses generally, 15%-20% for distribution warehouses, and 1%-5% for mega warehouses.

and "ancillary items," will it be suitable for manufacturing use. This contradicts Coers' claim that she may simply start with the "warehouse shell," add only heat and office space, and have a building suitable for manufacturing. The preponderance of the evidence compels the conclusion that Hall is more credible in his testimony that the manufacturing schedule is the appropriate schedule to estimate the Factory's replacement costs.

101. Coers was correct, however, to note the impact of the Factory's small office space in estimating its replacement costs. We conclude that estimating the cost of the Factory without adjusting for its atypical office space overvalues the building. The Board notes that under the MVS schedules the "costs listed are actually midpoints of cost ranges." *Ex. R-30* Section 14 Page 3. At a range of 4%-12% for office space, the midpoint is 8%. Because the Factory's actual office space is 1%, Hall's replacement cost must be adjusted to remove the 7% excess office space contemplated in the MVS schedule. Fortunately, the cost of the excess office space can be easily calculated by applying Coers' office base costs to the square footage equal to 7% of the Factory's total square footage.

Calculation of Excess Office Space	2012	2016
Coers' Office Per Unit Costs	$47.22	$51.80[12]
Hall's Factory Size in s/f	853000	853000
7% of Factory in s/f	59710	59710
Excess Office Space Cost	$2,819,506	$3,092,978

Hall's cost approach must be recalculated by deducting the excess office space from his total building cost. Depreciation for the building must be recalculated by applying the depreciation rate to the new building cost. Once the building is properly depreciated, the depreciated site cost and the land value can be added back in to reach the value under the cost approach:

[12] Coers admitted that her 2016 base cost had a trending factor of 1.074 instead of the correct 1.086. *Tr*. at 513; *Ex. P-2* at 59. However, she did not expressly amend her appraisal report or opinion of value. In light of the minimal impact of the correction ($55.63/1.086 = $51.23), the Board relies on the base cost reflected in her original appraisal.

Hall's Approach Less Excess Office Space	2012	2016
Hall's Building Cost	$38,729,252	$40,847,000
Excess Office Adjustment	-$2,819,506	-$3,092,978
	$35,909,746	$37,754,022
Depreciation (.595 for 2012; .65 for 2016)	-$21,366,299	-$24,540,114
	$14,543,447	$13,213,908
Hall's Depreciated Site Improvements	$620,163	$733,839
	$15,163,610	$13,947,747
Land Value	$990,000	$1,100,000
Total	$16,153,610	$15,047,747

The Board finds that Hall's cost approach, after adjusting for excess office space, provides the most probative and reliable evidence of the true tax value of the Factory.

102. Pursuant to the Appeal Management Plan, the assessments for 2015 and 2017 are to be calculated as follows: 2015 AV = 2016 AV x .9966 and 2017 AV = 2016 AV x 1.0250.

Year	2016 AV	Trending Factor	Assessed Value
2015	$15,047,747	0.9966	$14,996,585
2017	$15,047,747	1.025	$15,423,941

103. The Board concludes to the following values:

Year	Assessed Value
2012	$16,153,610
2015	$14,966,585
2016	$15,047,747
2017	$15,423,941

The Board declines to make an allocation for the parcel not on appeal, but orders that the combined assessed values of the three parcels shall not exceed the values concluded in this determination.

D. Conclusion

104. The assessed values for all three parcels for 2012, 2015, 2016, and 2017 must not exceed, respectively, $16,153,610, $14,966,585, $15,047,747, and $15,423,941.

ISSUED: December 9, 2019

Chairman, Indiana Board of Tax Review

Commissioner, Indiana Board of Tax Review

Commissioner, Indiana Board of Tax Review

- APPEAL RIGHTS -

You may petition for judicial review of this final determination under the provisions of Indiana Code § 6-1.1-15-5 and the Indiana Tax Court's rules. To initiate a proceeding for judicial review you must take the action required not later than forty-five (45) days after the date of this notice. The Indiana Code is available on the Internet at <http://www.in.gov/legislative/ic/code>. The Indiana Tax Court's rules are available at <http://www.in.gov/judiciary/rules/tax/index.html>.

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