EPRESENTATIVE FOR PETITIONER: Derik Edwards, Tax Representative

REPRESENTATIVE FOR RESPONDENT: Marilyn Meighen, Attorney at Law

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BEFORE THE INDIANA BOARD OF TAX REVIEW

OLD NATIONAL BANK,	)	Petition Nos.: 32-012-18-1-4-00202-21
	)	32-012-19-1-4-00203-21
Petitioner,	)	
	)	Parcel No.: 32-10-36-477-002.000-012
v.	)	
	)	County: Hendricks
HENDRICKS COUNTY ASSESSOR,	)	
	)	Assessment Years: 2018, 2019
Respondent.	)	

December 19, 2022

FINAL DETERMINATION

The Indiana Board of Tax Review ("Board"), having reviewed the facts and evidence, and having considered the issues, now finds and concludes the following:

INTRODUCTION

1. Old National Bank ("Old National") contested the 2018 and 2019 assessments of its bank branch in Plainfield. The parties offered competing valuation opinions from their respective appraisers—Kelly Fried for Old National and David Hall for the Hendricks County Assessor.[1] After weighing the evidence, we find Hall's appraisals to be the most persuasive evidence of the subject property's true tax value for both years. Accordingly, we order the assessments changed to reflect the value conclusions from his appraisals.

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[1] Although an additional appraiser signed each of the respective appraisals offered by the parties, Fried and Hall were the only ones who testified. For simplicity, we refer to them as Fried's Appraisal and Hall's Appraisal.

PROCEDURAL HISTORY

2. Old National filed Form 130 notices contesting its 2018 and 2019 assessments. The Hendricks County Property Tax Assessment Board of Appeals ("PTABOA") issued final determinations valuing the subject property at $1,500,000 ($711,000 for land and $789,000 for improvements) for both years.

3. Old National timely filed Form 131 petitions with the Board for each year.[2] On February 17, 2022, our designated Administrative Law Judge, David Smith ("ALJ"), held a telephonic hearing on the petitions. Neither he nor the Board inspected the subject property.

4. Appraisers Kelly Fried and David Hall testified under oath.

5. Old National submitted the following exhibits:

Petitioner Ex. A:	Appraisal Report prepared by Kelly Fried
Petitioner Ex. B:	2018 Form 130 notice
Petitioner Ex. C:	2019 Form 130 notice
Petitioner Ex. D:	2018 Form 131 petition
Petitioner Ex. E:	2019 Form 131 petition
Petitioner Ex. F:	2018 Property Record Card ("PRC") for subject property
Petitioner Ex. G:	2019 PRC for subject property
Petitioner Ex. H:	CompStak Lease Details
Petitioner Ex. I:	PRC for 18 Providence Drive
Petitioner Ex. J:	PRC for 144 W. Main St.
Petitioner Ex. K:	Sales Disclosure Form for 50 N. Ford Rd.
Petitioner Ex. L:	PRC for 50 N. Ford Rd.
Petitioner Ex. M:	Company Overview for Centier Bank

6. The Assessor submitted the following exhibits:

Respondent Ex. A:	Description of David Hall's additional experience

[2]Plainfield Commercial CTR is listed as the Petitioner on both Form 131 petitions. It appears to have acquired title to the subject property from Old National via Quitclaim Deed on or around July 30, 2019. *Resp't Ex. C at Addendum D.* However, the Form 130 notices initiating these appeals at the county level and the PTABOA's Form 115 determinations identify Old National as the property owner/taxpayer on the assessment dates at issue. We therefore refer to Old National as the Petitioner for purposes of this determination.

Respondent Ex. B:	2018 Appraisal Report prepared by David Hall
Respondent Ex. C:	Appraisal Addenda for 2018 and 2019
Respondent Ex. D:	Offering Memoranda Tab 1: Bank of America Tab 2: Chase Bank #1 Tab 3: Chase Bank #2 Tab 4: US Bank
Respondent Ex. E:	2019 Appraisal Report prepared by David Hall
Respondent Ex. F:	Excerpt from *The Appraisal of Real Estate* (15th Ed.)
Respondent Ex. G:	Articles concerning acquisition of West End Bank
Respondent Ex. H:	Excerpt from the Uniform Standards of Professional Appraisal Practice FAQ (2020-2021 Ed.)

7. The record also includes the following: (1) all pleadings, briefs, motions, and documents filed in this appeal; (2) all notices and orders issued by the Board or our ALJ; and (3) an audio recording of the hearing.

FINDINGS OF FACT

A. THE SUBJECT PROPERTY

8. The subject property is located at 802 Edwards Drive in Plainfield and was 100% owner-occupied by Old National on the assessment dates at issue. It sits at the southeast corner of State Road 267 and Stafford Road, a signalized intersection with banks on all four corners. The subject property is zoned general commercial, and its improvements include a 4,944-square foot freestanding building and an attached 1,650-square foot drive-thru canopy situated on a 1.58-acre (68,825 SF) platted lot. Site improvements include approximately 30 paved asphalt parking spaces, four drive-thru lanes, concrete sidewalks, landscaping, and lighting. *Fried testimony; Hall testimony; Pet'r Ex. A at 13-14, 45-46, 48, 50-53; Resp't Exs. B at 34-47; E at 34-47.*

9. The building is a one-story, Class C, masonry and frame structure with a brick and limestone veneer. It was built in 2007 and is of good construction quality and average condition. The interior layout consists of a large lobby with workstations, perimeter offices and meeting rooms, a teller/customer service area, a drive-thru service area, an

employee breakroom, men's and women's restrooms, mechanical and storage areas, and safety deposit and vault room areas. The interior areas are finished with painted drywall, ceramic tile, carpeting, wood paneling, acoustic ceiling tiles, recessed can lights, recessed panel lighting, spotlights, suspended pendant lighting, and TV circuits. The improvements have no deferred maintenance issues and recent expenditures include a new HVAC unit installed in 2017, limestone replacement in 2017, and vestibule upgrades in 2019. *Fried testimony; Hall testimony; Pet'r Ex. A at 14, 46, 50-53; Resp't Exs. B at 45-61; E at 45-61.*

B. Expert Opinions

1. Fried's Appraisal

10. Old National offered an appraisal report from Kelly Fried, MAI, Senior Vice President of Newmark Valuation & Advisory for Ohio, Indiana, and Kentucky. Fried holds both a bachelor's degree and a master's degree in Business Administration from the University of Cincinnati. She is a certified general real estate appraiser in Indiana, Kentucky, and Ohio, and she earned her MAI designation through the Appraisal Institute. Fried has been a professional real estate appraiser for just under 21 years, and during that time she has appraised around 75-100 retail banks, 20-25 of which were for property tax purposes. Fried has been accepted as an expert before courts and tribunals in both Ohio and Kentucky, including by the Ohio Board of Tax Appeals and the Kentucky Board of Tax Appeals.[3] *Fried testimony; Pet'r. Ex A at Addendum F.*

11. On October 5, 2021, Fried performed both an interior and exterior inspection of the subject property. She developed an opinion of the retrospective market value-in-use of the subject property's fee simple estate as of January 1, 2018 and January 1, 2019 using all three valuation approaches: the cost approach, the sales comparison approach, and the income capitalization approach. Fried certified that she appraised the subject property

[3] Old National offered Fried as an expert in the valuation of real property and retail banks, to which the Assessor did not object. Our ALJ took Old National's request under advisement. Based on Fried's qualifications and experience, we recognize her as an expert in real estate valuation.

and prepared her report in conformity with the Uniform Standards of Professional Appraisal Practice ("USPAP"). *Fried testimony; Pet'r. Ex A at 4, 13, 59.*

a. Fried's Market Overview

12. Fried began her economic analysis by researching the greater Indianapolis market before focusing in on the subject property's submarket, which she identified as Hendricks County. Fried also reviewed economic data for the area within a one-mile radius of the subject property, which she described as the focused submarket. To provide a clear view of where the retail market was headed, she also performed a retail market analysis that looked at the greater Indianapolis market, the submarket, as well as the focused submarket. Fried's retail market analysis also helped her identify comparable sales and comparable leases for use in her sales comparison and income capitalization approaches. *Fried testimony; Pet'r. Ex A at 17-42.*

13. The real estate tax analysis Fried developed shows the subject property's 2018 and 2019 assessments and the total taxes imposed for both years. Her analysis also includes five properties from the immediate area that she selected as tax comparables based on their proximity to the subject property and their size. Fried included them for informational purposes just to show where the subject property falls within properties in the immediate area—she did not use them to determine the subject property's market value. In 2017, the tax comparables had assessed values ranging from \$171.65/SF to \$268.61/SF, with an average assessment of \$220.00/SF, while the subject property's assessment was \$295.57/SF. *Fried testimony; Pet'r. Ex A at 54-55.*

14. Fried determined the subject property's highest and best use by considering the uses that were legally permissible, physically possible, and financially feasible. She concluded that its highest and best use as vacant was for retail development. And as improved, Fried found the subject property's current use as a retail property to be its highest and best use. She also noted that the most likely buyer for the subject property would be a single investor, partnership, or owner-user. *Fried testimony; Pet'r. Ex A at 57-58.*

b. Fried's Cost Approach

15. Fried began her cost approach by determining the value of the subject property's 1.58 acres of land using the sales comparison approach. She selected four comparable land sales of properties located in Plainfield:

- Land Sale 1 (418 S. Dan Jones Rd.) - a 1.69-acre commercial site purchased in November 2019 for $8.83/SF for development of a Sonic restaurant.
- Land Sale 2 (2370 E. Main St.) - a 1.25-acre commercial site purchased in April 2018 for $8.72/SF for development of a Valvoline Oil Change business.
- Land Sale 3 (6019 Gateway Dr.) - a 1.05-acre commercial site purchased in April 2021 for $5.58/SF for unknown development purposes.
- Land Sale 4 (6015 Gateway Dr.) - a 2.86-acre commercial site purchased in February 2019 for $4.41/SF 2019 for development of a Super 8 Motel.

Fried testimony; Pet'r Ex. A at 61-62.

16. Fried used the same four comparable land sales for the 2018 and 2019 assessment years, and except for the market conditions adjustments, all her adjustments were the same for both years. She made -20% adjustments to Sales 1 and 2 due to their superior exposure in retail areas. She also made -5% adjustments to Sale 3 due to its smaller size in relation to the subject property and +10% adjustments to Sale 4 due to its larger size when compared to the subject property. Fried's market conditions adjustments are as follows: Sale 1 received -6.8% and -4.5% adjustments for 2018 and 2019, respectively; Sale 2 received no adjustment for 2018 and a +2% adjustment for 2019; Sale 3 received -8% and -6% adjustments for 2018 and 2019, respectively; and Sale 4 received a -2% adjustment for 2018 and no adjustment for 2019. *Fried testimony; Pet'r Ex. A at 60-64.*

17. After adjustment, Fried's four comparable land sales had prices ranging from $4.75/SF to $6.98/SF for 2018 and $4.85/SF to $7.12/SF for 2019. Due to the closeness of the transactions to the valuation dates along with their similarities and locations, she placed the most weight on Sales 2 and 4 and reconciled to values of $5.75/SF and $5.90/SF for

2018 and 2019, respectively. Applying her reconciled values to the subject property's 68,825 SF of land produced indicated values of $400,000 (rounded) for 2018 and $410,000 (rounded) for 2019. *Fried testimony; Pet'r Ex. A at 63-65.*

18. Fried relied on Marshall Valuation Service ("MVS") to estimate the replacement cost new of the improvements. Using an average quality rating for Class C construction retail bank branches, she identified a base cost of $217.00/SF, which she used for both 2018 and 2019. Fried adjusted her base cost using MVS's story height, ceiling height, perimeter, current cost, local area, and comparative cost multipliers and arrived at adjusted base costs of $163.92/SF for 2018 and $171.37 for 2019. Applying the adjusted base costs to her estimate of the building's square footage (5,075 SF) produced an estimated cost new for the building of $831,914 for 2018 and $869,696 for 2019. Fried included separate cost estimates for the 31 surface parking spaces and landscaping and estimated the replacement cost new of the site improvements to be $61,771 for both 2018 and 2019. She then added indirect costs of 7.5% to account for soft costs such as architectural fees, legal fees, financing fees, construction insurance, and interest carried during the construction period. Fried also included entrepreneurial profit of 10% to account for the developer's return and the risk associated with constructing the subject property. Adding in her indirect cost and entrepreneurial profit estimates resulted in total replacement costs new of $1,056,783 for 2018 and $1,101,460 for 2019 before depreciation. *Fried testimony; Pet'r Ex. A at 66-70.*

19. Fried found no functional or external obsolescence and concluded that no deductions were necessary. She relied on the age-life method to estimate depreciation for the building and site improvements, which is a straight-line approach. Based on the building's effective ages of 11 years in 2018 and 12 years in 2019 and MVS's projection of a 50-year economic life, Fried applied depreciation of 22% for 2018 and 24% for 2019. And for the site improvements, she applied age-life depreciation of 75.22% for both years. This resulted in depreciated replacement costs for the building and site improvements of $785,416 for 2018 and $794,137 for 2019. Adding her land value

conclusions to the depreciated replacement costs for the building and site improvements produced indicated values for the subject property of $1,175,000 (rounded) for 2018 and $1,200,000 (rounded) for 2019. *Fried testimony; Pet'r Ex. A at 67-71.*

c. Fried's Sales Comparison Approach

20. Fried started her sales comparison approach by searching for sales of comparable bank properties within a three-mile radius of the subject property. However, she ultimately selected the following four sales of banks from across Indiana:

- Sale 1 (925 N. High School Rd., Indianapolis) – a 5,389 SF bank built in 1988 on a 0.93-acre site purchased in October 2019 for $250.51/SF with an existing lease to BMO Harris Bank in place that had 6 years remaining.
- Sale 2 (2507 Progress Pkwy., Shelbyville) - a 2,337 SF bank built in 2004 on a 1.10-acre site purchased in January 2019 for $256.74/SF.
- Sale 3 (207 N. Main St., Liberty) - a 2,330 SF bank built in 2009 on a 1.12-acre site purchased in May 2020 for $184.55/SF.
- Sale 4 (3690 Concord Rd., Lafayette) - a 5,778 SF bank built in 2005 on a 1.84-acre site purchased in May 2021 for $224.99/SF.

Fried testimony; Pet'r Ex. A at 72-76.

21. As with her land valuation, Fried used the same four comparable sales for the 2018 and 2019 assessment years and all her adjustments were the same for both years except for the market conditions adjustments. She determined the magnitude of her market conditions adjustments by reviewing changes in market rents, variation in vacancy rates, and the fluctuation of capitalization rates between the date of sale and the effective dates of her appraisal. *Fried testimony; Pet'r Ex. A at 74-79.*

22. For Sale 1, Fried applied -7% and +2% market conditions adjustments for 2018 and 2019, respectively. She also applied -8% property rights adjustments because its 6.97% capitalization rate was lower than the market capitalization rate. Additionally, Fried applied -10% location adjustments due to demographic differences and superior interstate access, +10% age/condition adjustments due to its older construction and inferior

condition, and +5% land-to-building ("LTB") ratio adjustments due to its inferior LTB ratio. After adjustment, Sale 1 had indicated values of $226.88/SF for 2018 and $248.78/SF for 2019. *Fried testimony; Pet'r Ex. A at 74, 77, 79.*

23. For Sale 2, Fried applied a -2% market conditions adjustment for 2018 and no adjustment for 2019. She also applied +10% location adjustments due to demographic differences and because it is located on a Walmart Supercenter outlot, -10% size adjustments due to its smaller size, and -5% LTB ratio adjustments due to its superior LTB ratio. After adjustment, Sale 2 had indicated values of $239.02/SF for 2018 and $243.90/SF for 2019. *Fried testimony; Pet'r Ex. A at 74-75, 77, 79.*

24. For Sale 3, Fried applied -7% and +5% market conditions adjustments for 2018 and 2019, respectively. She also applied +20% location adjustments due to demographic differences, -10% size adjustments due to its smaller size, and -5% LTB ratio adjustments due to its superior LTB ratio. After adjustment, Sale 3 had indicated values of $180.70/SF for 2018 and $202.50/SF for 2019. *Fried testimony; Pet'r Ex. A at 75, 77, 79.*

25. Finally, for Sale 4, Fried applied -8% and +6% market conditions adjustments for 2018 and 2019, respectively. She also applied +5% location adjustments due to its inferior demographics in relation to the subject property. After adjustment, Sale 4 had indicated values of $217.34/SF for 2018 and $250.42/SF for 2019. *Fried testimony; Pet'r Ex. A at 76-77, 79.*

26. After adjustment, Fried's comparable sales had average values of $215.99/SF for 2018 and $236.40/SF for 2019. She placed primary emphasis on Sales 1 and 4 due to their similarities to the subject in terms of size and the age/condition of Sale 4. Fried then reconciled to values of $215.00/SF for 2018 and $220.00/SF for 2019. Multiplying those values by her estimate of the building's square footage (5,075 SF), produced indicated values for the subject property of $1,100,000 (rounded) for 2018 and $1,125,000

(rounded) for 2019. *Fried testimony; Pet'r Ex. A at 78, 80.*

d. Fried's Income Capitalization Approach

27. Fried relied on the direct capitalization method for her income capitalization approach because investors and market participants typically rely on it more that the discounted cash flow analysis. To estimate market rent for the subject property, she considered data from recent leases for comparable buildings and asking rents for competitive properties. Fried selected four comparable bank properties with triple-net leases located in central Indiana for use in both the 2018 and 2019 valuation years:

- Comparable 1 (925 N. High School Rd., Indianapolis) – a 5,389 SF bank built in 1988 and leased to BMO Harris Bank beginning in October 2018 for an 84-month term at a rental rate of $17.45/SF.
- Comparable 2 (1417 W. 86th St., Indianapolis) - a 4,858 SF bank built in 1960 (renovated in 1995) and leased to PNC Bank beginning in July 2020 for a 60-month term at a rental rate of $34.83/SF.
- Comparable 3 (800 US Route 31, Greenwood) - a 2,000 SF bank built in 1980 and leased to Indiana University Credit Union beginning in July 2015 for a 122-month term at a rental rate of $20.00/SF.
- Comparable 4 (320 S. High St., Muncie) - a 15,120 SF two-story bank built in 1959 and leased to Old National beginning in October 2017 for a 61-month term at a rental rate of $14.64/SF.

Fried testimony; Pet'r Ex. A at 81-83.

28. For Comparable 1, Fried applied a -2.5% market conditions adjustment for 2018 and no adjustment for 2019. She also applied -10% location adjustments, +10% age/condition adjustments, and +5% LTB ratio adjustments. After adjustment, Comparable 1 had adjusted rents of $17.86/SF for 2018 and $18.32/SF for 2019.[4] For Comparable 2, she applied -5% and -10% market conditions adjustments for 2018 and 2019, respectively, as well as -25% location adjustments for both years, producing adjusted rents of $24.82/SF

[4] Fried's Comparable Leases Adjustment Grids for 2018 and 2019 contained several errors with respect to the adjustments she applied to Comparable 1 and her resulting adjusted rents. The adjustments and adjusted rents described here reflect the corrections she made during testimony.

for 2018 and $23.51/SF for 2019. For Comparable 3, Fried applied +5.5% and +10% market conditions adjustments for 2018 and 2019, respectively, along with -10% size adjustments for both years, resulting in adjusted rents of $24.82/SF for 2018 and $23.51/SF for 2019. For Comparable 4, Fried applied no market conditions adjustment for 2018 and a +10% adjustment for 2019. She also applied +5% location adjustments, +12.5% size adjustments, and +10% age/condition adjustments. After adjustment, Comparable 4 had adjusted rents of $18.67/SF for 2018 and $20.53/SF for 2019. Her market conditions adjustments are intended to reflect the change in average rental rates within each comparable's submarket between January 1, 2018 and January 1, 2019. *Fried testimony; Pet'r Ex. A at 84-85.*

29. After adjustment, Fried's comparable leases had rental rates ranging from $18.67/SF to $24.82/SF for 2018 and $19.80/SF to $23.51/SF for 2019. She found Comparables 1 and 4 to be the most relevant based on Comparable 1's similarity in size and Comparable 4's similarity in location to the subject property. Fried also felt that given the subject property's age/condition and location, rents falling in the middle of the ranges were the most applicable. Based on her analysis, Fried concluded to potential base rental rates of $19.50/SF for 2018 and $20.00/SF for 2019. After adding in estimated expense recoveries of $2.21/SF and applying a vacancy allowance of -5% to both years, she arrived at effective gross income estimates of $20.63/SF and $21.10/SF for 2018 and 2019, respectively.[5] Fried then estimated operating expenses for real estate taxes, insurance, general and administrative expenses, management, and common area maintenance. Fried projected total operating expenses of $2.21/SF for both 2018 and 2019, resulting in stabilized net operating income ("NOI") estimates of $93,453 ($18.41/SF) for 2018 and $95,864 ($18.89/SF) for 2019. *Fried testimony; Pet'r Ex. A at 86-89, 93-94.*

30. To select an appropriate capitalization rate, Fried reviewed the capitalization rates of five

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[5] Fried clarified that the statement at the bottom of Page 87 of her report claiming that she excluded vacancy and collection loss was an error.

comparable banks that sold between September 2019 and June 2021 with remaining lease periods of 39-72 months. They had overall capitalization rates ranging from 6.67% to 13.70% and an average capitalization rate of 9.31%. Given the subject property's location and age/condition and reduced demand for bank properties, Fried thought a capitalization rate towards the lower to middle end of the range was appropriate. She placed primary emphasis on the rates for Comparables 1, 4, and 5, and settled on a range from 7.75% to 8.25% for the subject property. Fried also performed a band of investment analysis that produced an indicated capitalization rate of 8.0% (rounded). She ultimately selected market capitalization rates of 8.50% for 2018 and 8.00% for 2019. Fried then calculated a tax additur for both years, resulting in loaded capitalization rates of 8.61% for 2018 and 8.10% for 2019. *Fried testimony; Pet'r Ex. A at 89-92.*

31. Capitalizing Fried's NOI estimate for 2018 ($93,453/8.61%) produced a stabilized value of $1,085,903, which she rounded to reach a final value conclusion for the subject property of $1,075,000 for 2018. Doing the same for Fried's NOI estimate for 2019 ($95,864/8.10%) produced a stabilized value of $1,183,011, which she rounded to reach a final value conclusion for the subject property of $1,175,000 for 2019. *Fried testimony; Pet'r Ex. A at 93-94.*

e. Fried's Reconciliation

32. In her reconciliation, Fried placed the most weight on her sales comparison approach due to the active market for comparable properties and because the approach most closely reflects buyer behavior. She gave her income capitalization approach secondary weight but cautioned that it would not be the primary analysis used by the typical owner-user. And Fried placed the least weight on her cost approach due to the difficulty in estimating depreciation and because investors would give it the least weight. Based on her analyses, Fried reached final value conclusions for the subject property of $1,100,000 as of January 1, 2018, and $1,150,000 as of January 1, 2019. *Fried testimony; Pet'r Ex. A at 95-96.*

2. Hall's Appraisals

33. The Assessor offered appraisal reports from David Hall, MAI, AICP, the Managing Director of Integra Realty Resources-Indianapolis. He has a bachelor's degree in Landscape Architecture from Ball State University and a master's degree in Business Administration from Ohio State University. Hall is a licensed Indiana Certified General Real Estate Appraiser, and he has been a commercial real estate appraiser for 16 years. Hall has performed over 1,000 appraisals, more than 100 of which were for property tax purposes, and he also has experience appraising banks and credit unions. He performed appraisals of the retrospective market value-in-use of the subject property's fee simple interest as of January 1, 2018 and January 1, 2019, and certified that he prepared them in conformity with USPAP. *Hall testimony; Resp't Exs. A; B at 4, 7, 136; C at Addenda A; E at 4, 7, 136.*

34. Although Hall did not perform an appraisal review, he identified several general appraisal principles that he believed were relevant to Fried's appraisal of the subject property. Hall first cited to language from the Appraisal of Real Estate that states "If the sale of a leased property (i.e., the leased fee) is to be used as a comparable sale in the valuation of another interest in real property, the comparable sale can only be used if reasonable and supportable market adjustments for the differences in real property rights can be made." In the same paragraph, the Appraisal of Real Estate also says, "To compare the value of the leased fee of the comparable property to the value of the fee simple estate of the subject property, an appraiser must determine if the contract rent of the comparable property was above, below, or equal to market rent." *Hall testimony; Resp't Ex. F.*

35. Hall also discussed why appraisers need to be careful when using comparable sales or rents from transactions that occur after the appraisal's effective date. He pointed out that for retrospective appraisal assignments, USPAP cautions that "the analysis should reflect the market conditions that existed on the effective date of the appraisal. Using only comparable sales information that was not available to the market place, or did not exist as of the effective date of the appraisal could be misleading because it would not reflect

information available to the marketplace during that time period." Although transactions that occur after an appraisal's effective date can confirm trends, they should not be the sole basis for a valuation. Hall also thinks that appraisers must take care when using comparable sales that were part of a larger purchase like Sale 3 from Fried's sales comparison approach, which was one of four bank branches acquired by 3Rivers Federal Credit Union in its purchase of West End Bank's entire business enterprise. *Hall testimony; Resp't Exs. G, H.*

a. Hall's Market Overviews

36. Hall put together an economic and demographic analysis to help him understand the characteristics of the subject property's market area and the market in which it competes. He described Hendricks County as growing at a rate four times faster than the State of Indiana. By 2018, Hendricks County had an increasing population, increasing employment, decreasing unemployment, and a median household income almost 50% higher than Indiana as a whole, which all tend to positively impact values. *Hall testimony; Resp't Exs. B at 13-17; E at 13-17.*

37. At the neighborhood level, Hall explained that bank branches tend to draw customers from a smaller area, and he defined the subject property's primary trade area as a five-mile radius around it. The subject property has good vehicular access and fair linkages to public transportation. The surrounding neighborhood is well-established and includes a mix of retail, office, medical office, industrial, multifamily, and single-family uses. The neighborhood also benefits from its proximity to the Indianapolis International Airport, which is about three miles from the subject property. *Hall testimony; Resp't Exs. B at 19-22; E at 19-22.*

38. Hall also developed two market segmentation analyses to help him understand the subject property and the market in which it competes. The first analysis looked at trends for retail and commercial uses within the subject property's primary trade area. The second analysis broadened the search area to the entire Indianapolis MSA, but Hall limited it to

bank properties containing less than 10,000 SF. Hall concluded that both analyses showed positive market conditions and increasing market demand from 2012 through January 2018, with overall increases in market rental rates and average market sales prices and overall decreases in vacancies and average market capitalization rates. *Hall testimony; Resp't Exs. B at 24-32; E at 24-32.*

39. Because Hall was determining the subject property's market value-in-use, which should be reflective of its current use, a determination of its highest and best use was unnecessary to comply with USPAP. However, he analyzed the subject's highest and best use because it can help determine if a property's market value and market value-in-use are equivalent. It can also help identify any functional or external obsolescence that might exist, though he did not find any evidence that either impacted the subject property. He concluded that the property's highest and best use as vacant was for retail use. And as improved, Hall found the property's continued use as a bank branch to be its highest and best use. *Hall testimony; Resp't Exs. B at 65-67; E at 65-67.*

b. Hall's Cost Approaches

40. Hall began his cost approach by valuing the subject property's land using the sales comparison approach. He searched the Plainfield area for vacant commercial land with 0.75 to 3.25 acres that sold between 2015 and 2019 and selected the following four land sales for his analysis, all of which are located within a two-mile radius of the subject property:

- Land Sale 1 (3651 S. Clarks Creek Rd.) - a 1.07-acre commercial site purchased in January 2018 for $3.43/SF.
- Land Sale 2 (345 S. Perry Rd.) - a 1.84-acre commercial site purchased in September 2017 for $5.24/SF for development of a bank branch.
- Land Sale 3 (900 Edwards Dr.) - a 2.88-acre commercial site purchased in October 2015 for $2.99/SF for development of an office building for Plainfield Eye Care.
- Land Sale 4 (5670 Cambridge Way) - a 3.27-acre commercial site comprised of two contiguous parcels purchased in January 2015 for $3.33/SF for development of a small retail strip center and a freestanding liquor store.

Hall testimony; Resp't Exs. B at 71-74, 81; E at 71-74, 81.

41. Hall used the same four comparable land sales for the 2018 and 2019 assessment years, and except for the market conditions adjustments, all his adjustments were the same for both years as well. After reviewing CoStar data for the retail sector within a 5-mile radius of the subject property, Hall applied market conditions adjustments to each comparable sale at an average annual rate of 2%. He made a -20% location adjustment to Sale 2 because of its superior location adjacent to a regional shopping center. Sale 2 also received a +10% access/exposure adjustment because it only has frontage on a single road and does not have a corner orientation. Hall also made size adjustments of -5%, +10%, and +20% to Sales 1, 3, and 4, respectively due to differences in their site sizes relative to the subject property's site. *Hall testimony; Resp't Exs. B at 75-80; E at 75-80.*

42. For 2018, Hall's comparable land sales had adjusted per acre prices ranging from \$173,509 to \$206,667, with an average price of \$185,000 (rounded). And for 2019, the land sales had adjusted prices ranging from \$176,833 to \$210,776, with an average price of \$188,000 (rounded). In both of his reconciliations, Hall gave the greatest weight to the average adjusted price from each year. Applying his reconciled values to the subject property's 1.580-acres of land resulted in indicated values of \$290,000 (rounded) for 2018 and \$300,000 (rounded) for 2019. *Hall testimony; Resp't Exs. B at 80-81; E at 80-81.*

43. Hall used MVS to estimate the replacement cost new of the improvements. He based his estimate for the subject property's building on the unit cost for a Class C bank branch of "good" quality, which MVS describes as having the following characteristics:

> Face brick or stone, good metal or concrete and glass panels. Plaster or drywall, paneling, vinyl and carpeting. Good lighting and plumbing, tiled restrooms, TV circuits. Warm and cool air (zoned).

Hall testimony; Resp't Exs. B at 47-50, 82-83; E at 47-50, 82-83.

44. Based on MVS's "good" quality rating, Hall selected a base cost for the building of \$234.00/SF for both 2018 and 2019. After applying current, local, story height, and perimeter multipliers, Hall arrived at final unit costs of \$239.89/SF for 2018 and \$249.63/SF for 2019. This produced estimated costs new for the building of \$1,186,016 for 2018 and \$1,234,171 for 2019. For the canopy, Hall selected a base cost of \$53.50/SF, reflecting MVS's unit cost for "good" quality canopies. After adjustment, he estimated the replacement costs new for the subject property's canopy to be \$87,401 for 2018 and \$90,948 for 2019. Hall estimated the replacement costs new of the site improvements, which he deemed to be of "average" quality, to be \$83,670 for 2018 and \$88,836 for 2019. He then added in 10% of the direct costs for the building and site improvements to account for the indirect costs that MVS does not include in its base unit costs. Because the subject property is well-suited to occupancy by an owner-user thereby reducing the risk associated with a speculative development, Hall elected to exclude entrepreneurial profit from his replacement cost estimates. Adding up his estimated costs resulted in total replacement costs new for the building and site improvements of \$1,492,795 for 2018 and \$1,555,350 for 2019 before depreciation. *Hall testimony; Resp't Exs. B at 82-85; E at 82-85.*

45. Hall concluded that no functional or external obsolescence was impacting the subject property. He used the economic age-life method to estimate depreciation due to physical deterioration. Based on his inspection of the subject property, Hall determined that the building's effective age was consistent with its actual age on each assessment date (11 years in 2018 and 12 years in 2019). For a Class C bank branch of "good" quality, MVS estimates the typical life span to be 55 years. Dividing the building's effective ages by its projected lifespan of 55 years produced depreciation estimates of 20% for 2018 and 21.8% for 2019. Hall also calculated depreciation for the canopy based on effective ages of 6 and 7 years in 2018 and 2019, respectively, and an estimated economic life of 16 years, resulting in depreciation estimates of 37.5% for 2018 and 43.8% for 2019. Hall then applied a weighted average to his individual depreciation estimates for the building

and canopy, producing total depreciation estimates for the building improvements of 21.2% for 2018 and 23.3% for 2019. After estimating an effective age equivalent to half of the lifespan of the asphalt and concrete paving, he followed the same process to arrive at depreciation estimates for the site improvements of 50% for both years. *Hall testimony; Resp't Exs. B at 85-88; E at 85-88.*

46. Applying Hall's depreciation estimates for the building and site improvements resulted in depreciated replacement costs for the subject property of $1,150,000 (rounded) for 2018 and $1,170,000 (rounded) for 2019. Adding in his respective land value conclusions to the depreciated replacement costs for the building and site improvements produced indicated property values of $1,440,000 for 2018 and $1,470,000 for 2019. *Hall testimony; Resp't Exs. B at 87-88; E at 87-88.*

c. Hall's Sales Comparison Approaches

47. Hall started his sales comparison analyses by searching for fee simple sales of 2,000 to 6,000 SF vacant bank branches built within ten years of the subject property that closed between 2015 and 2019. He selected the following four sales for use in both valuation years:

- Sale 1 (3975 W. 106th St., Carmel) - a 3,592 SF bank built in 2003 on a 0.78-acre site purchased in April 2018 for $445.43/SF.
- Sale 2 (2485 Main St., Plainfield) - a 3,801 SF bank built in 2004 on a 0.99-acre site purchased in July 2016 for $315.71/SF.
- Sale 3 (50 N. Ford Rd., Zionsville) - a 3,199 SF bank built in 2005 on a 0.69-acre site purchased in April 2016 for $375.12/SF.
- Sale 4 (17833 Foundation Dr., Noblesville) - a 3,725 SF bank bult in 1998 on a 1.20-acre site purchased in September 2015 for $336.29/SF.

Hall testimony; Resp't Exs. B at 89-92; E at 89-92.

48. Hall began his adjustments by applying market conditions adjustments to each comparable sale at an average annual rate of 2% based on his analysis of survey data for

bank branches located in the Indianapolis MSA. He made location adjustments of -10%, -20%, and -10% to Sales 1, 3, and 4, respectively after considering population, annual population growth, and median household income for each comparable sale. He concluded that no access/exposure adjustments were necessary for Sales 1, 2, and 4 given their corner orientations, good visibility, and direct access from an adjacent street. However, he rated Sale 3 as inferior to the subject property and applied a +10% adjustment because it is only visible from one road. Hall applied a -15% physical characteristics adjustment to Sale 1 based on its large atrium space and superior levels of interior and exterior finish. He also applied various age/condition adjustments calculated by applying 1% per year of difference between the effective ages of the comparable sales and the effective age of the subject property. *Hall testimony; Resp't Exs. B at 93-105; E at 93-105.*

49. For 2018, Hall's comparable sales had adjusted prices ranging from $328.11/SF to $350.13/SF, with an average price of $341.17/SF. And for 2019, the sales had adjusted prices ranging from $331.18/SF to $352.65/SF, with an average price of $343.99/SF. In his final reconciliations, Hall selected a unit value falling between the low end of the price range and the average adjusted price for each year. He ultimately selected values of $330.00/SF for 2018 and $335.00/SF for 2019, resulting in indicated values of $1,630,000 (rounded) for 2018 and $1,660,000 (rounded) for 2019. *Hall testimony; Resp't Exs. B at 105-106; E at 105-106.*

d. Hall's Income Capitalization Approaches

50. Hall also completed an income capitalization approach using the direct capitalization method. To estimate market rent, he looked for Indiana bank branches with 2,000 to 6,000 SF used as banks both before and after being leased with leases commencing between 2012 and 2019. Because many bank branches are owner-occupied, Hall had limited comparable rental data to work with, and he was only able to find three comparable leases fitting his search criteria, all of which had triple-net leases:

- Comparable 1 (800 US Highway 31, Greenwood) - a 1,965 SF bank built in 1980 and leased to IU Credit Union beginning in July 2015 for a 60-month term at a rental rate of $20.00/SF.
- Comparable 2 (9770 Wicker Ave., Saint John) - a 2,588 SF bank built in 1979 and leased to BMO Harris Bank beginning in September 2014 for a 120-month term at a rental rate of $20.00/SF.
- Comparable 3 (2200 Stafford Rd., Plainfield) - a 2,424 SF bank built in 1977 and leased to Huntington National Bank beginning in April 2012 for a 120-month term at a rental rate of $27.22/SF.

Hall testimony; Resp't Exs. B at 107-111; E at 107-111.

51. To determine if adjustments were necessary, Hall looked at expense structure, conditions of lease, market conditions, location, access/exposure, size, physical characteristic, and age/condition. He concluded he did not need to adjust for expense structure, expenses/tenant improvement allowance, or conditions of lease. To account for the various lease start dates, Hall applied market conditions adjustments to each comparable lease at an average annual rate of 2% based on his analysis of survey data for bank branches located in the Indianapolis MSA. He also made a +10% location adjustment to Comparable 2 after considering the population, annual population growth, and median household incomes within a 5-mile radius. Hall determined no access/exposure adjustments were necessary because all three comparables have a corner orientation, good visibility, and direct access from an adjacent street. He also concluded that no size adjustments were necessary because his comparable leases all had sizes within market norms and the differences in their sizes compared to the subject property were relatively small. *Hall testimony; Resp't Exs. B at 112-120; E at 112-120.*

52. Hall generally considered all three comparables to be inferior to the subject property in terms of construction quality, describing their characteristics as more akin to residential construction with asphalt shingles, simple exteriors, and very little ornamentation. He determined that Comparables 1 and 2 needed +10% adjustments, and Comparable 3 needed a +5% adjustment for physical characteristics due to their inferior construction quality and average quality finishes. He also applied age/condition adjustments at a rate

of 1% per year of difference between the comparables' effective ages and the subject property's effective age, resulting in adjustments to all three comparables of +9% for 2018 and +8% for 2019. *Hall testimony; Resp't Exs. B at 120-124; E at 120-124.*

53. For 2018, Hall's comparable leases had rental rates ranging from $24.99/SF to $31.14/SF, and an average rental rate of $27.88/SF. For 2019, their rental rates ranged from $25.25/SF to $31.42/SF, and had an average rental rate of $28.16/SF. Hall also presented lease information for a JP Morgan Chase Bank located across the street from the subject property as additional support for his market rent analysis. The property consists of a 5,919 SF bank built in 1996 that was re-leased to Chase in November 2011 for a 90-month extension at a rental rate of $25.76/SF. Hall excluded it from his primary rent study because it was an older lease and unlike his other comparable leases, Chase was the original tenant. Based on his analysis of comparable rents, Hall ultimately concluded to a market rent of $27.00/SF for 2018 and 2019, producing a potential gross rent estimate of $133,488/year for both years. *Hall testimony; Resp't Exs. B at 124-126; E at 124-126.*

54. Because the subject property and comparable leases all share the same triple-net expense structure in which the tenant is responsible for paying taxes, insurance, utilities, and repairs/maintenance, Hall projected no expense reimbursements. Based on his market segmentation analysis, Hall applied 5% deductions for vacancy and collection loss for both 2018 and 2019. He also deducted 2.5% for management expenses in both years. Additionally, Hall applied expense deductions for replacement reserves at rates of $0.15/SF and $0.23/SF for 2018 and 2019, respectively. Applying the deductions to his potential gross rent estimate produced NOI estimates of $122,902 ($24.86/SF) for 2018 and $122,506 ($24.78/SF) for 2019. *Hall testimony; Resp't Exs. B at 126-129; D; E at 126-129.*

55. To select appropriate capitalization rates, Hall reviewed CoStar surveys, investor surveys, comparable sales, and additional sales. The CoStar surveys from Q1 2018 and Q1 2019

had average cap rates for retail in the 5-mile radius around the subject property of 8.03% and 8.05%, respectively, and average cap rates for bank branches in the Indianapolis MSA with less than 10,000 SF of 7.21% and 7.25%, respectively. Calkain Research reported average cap rates for banks of 5.69% and 6.16% for Q1 2018 and Q1 2019, respectively, while PwC reported average cap rates for the national net lease market of 6.60% and 6.77% for the same periods. Hall also used the band of investment method to derive a capitalization rate using market data from RealtyRates.com, which produced a cap rate of 8.28% for both 2018 and 2019. He gave the greatest weight to the CoStar surveys because they reflect the subject property's immediate retail trade area and its use as a bank branch and concluded to a cap rate of 8.00% for both 2018 and 2019. Hall then capitalized his NOI estimates for 2018 and 2019 by his 8.00% capitalization rate, producing indicated values of $1,540,000 (rounded) for 2018 and $1,530,000 (rounded) for 2019. *Hall testimony; Resp't Exs. B at 130-133; E at 130-133.*

e. Hall's Reconciliations

56. Because Hall had adequate market data from which to develop all three valuation approaches, he gave them all weight in his reconciliations. He ultimately reconciled to a final value conclusion of $1,550,000 for both assessment dates under appeal. *Hall testimony; Resp't Exs. B at 134; E at 134.*

CONCLUSIONS OF LAW AND ANALYSIS

A. BURDEN OF PROOF AND VALUATION STANDARD

57. Generally, a taxpayer seeking review of an assessing official's determination has the burden of proof. Indiana Code § 6-1.1-15-17.2[6] created an exception to that rule and assigned the burden to the assessor in two circumstances—where the assessment under appeal represents an increase of more than 5% over the prior year's assessment, or where it is above the level determined in a taxpayer's successful appeal of the prior year's assessment, regardless of by how much. I.C. § 6-1.1-15-17.2(a)-(b), (d). The parties

[6] I.C. § 6-1.1-15-17.2 was repealed by P.L.174-2022 on March 21, 2022. We analyze the law as it existed at the time of the evidentiary hearing.

agreed that Old National has the burden of proof for the 2018 valuation date. The burden for 2019 necessarily depends on the value we determine for 2018.

58. In Indiana, real property is assessed based on its "true tax value," which is determined under the rules of the Department of Local Government Finance ("DLGF"). I.C. § 6-1.1-31-5(a); I.C. § 6-1.1-31-6(f). True tax value does not mean "fair market value" or "the value of the property to the user" Ind. Code § 6-1.1-31-6(c), (e). The DLGF defines "true tax value" as "market value-in-use," which it in turn defines as "[t]he market value-in-use of a property for its current use, as reflected by the utility received by the owner or by a similar user, from the property." 2011 REAL PROPERTY ASSESSMENT MANUAL 2.[7] Evidence in an assessment appeal should be consistent with that standard. For example, USPAP-compliant market value-in-use appraisals will often be probative. *Kooshtard Property VI, LLC v. Whiter River Twp. Ass'r*, 836 N.E.2d 501, 501, n.6 (Ind. Tax Ct. 2005).

59. Regardless of the method used to prove true tax value, a party must explain how its evidence relates to the property's value as of the relevant valuation date. *O'Donnell v. Dep't of Local Gov't Fin.*, 854 N.E.2d 90, 95 (Ind. Tax Ct. 2006). The valuation dates for these appeals are January 1, 2018 and January 1, 2019. Ind. Code § 6-1.1-2-1.5(a).

B. VALUATION EVIDENCE

1. Fried's Appraisal

60. As discussed above, Fried developed all three approaches to value. Each of her approaches has flaws that weaken their credibility and detract from the overall persuasiveness of her appraisal.

a. Fried's Cost Approaches

61. We start with the Assessor's criticism of Fried's land valuation. The Assessor faulted

[7] The Department of Local Government Finance adopted a new assessment manual for assessments from 2021 forward. 52 IAC 2.4-1-2.

Fried for selecting comparable land sales that sold after the assessment dates. Hall pointed out that for retrospective appraisal assignments, USPAP cautions that "the analysis should reflect the market conditions that existed on the effective date of the appraisal. Using only comparable sales information that was not available to the market place, or did not exist as of the effective date of the appraisal could be misleading because it would not reflect information available to the marketplace during that time period."

62. Here, all four of Fried's land sales sold after the 2018 assessment date, and three of them also sold after the 2019 assessment date. And although she did not weight it heavily, we note that Land Sale 3 sold more than three years after the 2018 assessment date. While Fried applied market conditions adjustments that largely went unchallenged, we agree that relying almost exclusively on sales that closed after the relevant assessment dates detracts from the credibility of her resulting land valuation to some extent.

63. The Assessor was even more critical of Fried's decision to classify the building's construction quality rating as "average." Although both Fried and Hall identified the subject property's improvements as a Class C bank branch, Hall rated the building's construction quality as "good." Again, MVS describes Class C bank branches of "good" construction quality as having the following characteristics:

> Face brick or stone, good metal or concrete and glass panels. Plaster or drywall, paneling, vinyl and carpeting. Good lighting and plumbing, tiled restrooms, TV circuits. Warm and cool air (zoned).

Hall decided that the building's physical characteristics are more consistent with MVS's description of "good" construction quality in part because MVS only mentions stone and glass panels under the definition of "good" quality. Fried correctly pointed out there is significant overlap between the two descriptions and that such a determination is subjective. However, she did little to compare the building's characteristics with MVS's descriptions, and our review of the pictures of the building's interior and exterior leads us to conclude that Hall's opinion of the building's construction quality is more persuasive. And by extension, we ultimately find Hall's replacement cost estimates for the building and his final value conclusions under the cost approach to be more persuasive than Fried's conclusions.

64. Finally, we note that Fried's selection of "average" construction quality also led her to use MVS's 50-year economic life projection when calculating her age/life depreciation estimates as opposed to the 55-year projection for a building of "good" construction quality. Although this produced only slightly higher depreciation estimates, it further reduces our confidence in her concluded values under the cost approach.

b. Fried's Sales Comparison Approaches

65. As with Fried's selection of land sales in her cost approach, the Assessor again criticized Fried for selecting comparable sales from after the relevant assessment dates. In this case, all four of Fried's comparable sales closed more than a year after the 2018 assessment date, with Sale 4 closing almost three and a half years later in May 2021. All four of her comparable sales also sold after the 2019 assessment date. Again, while appraisers are not prohibited from using sales from after an assessment date, we agree it should be done with caution. And we ultimately do not find very convincing her explanation that she determined the magnitude of her market conditions adjustments by reviewing changes in market rents, variation in vacancy rates, and the fluctuation of capitalization rates between the date of sale and the effective dates of her appraisal.

66. We also share the Assessors concerns about the wide geographic area and significant demographic differences between the subject property and Fried's comparable sales. Only one of her comparable sales (Sale 1) is located within the Indianapolis MSA, and one (Sale 3) is in Liberty, which is only a short distance from the Ohio state line. Although it is not the only comparable sale with these issues, Sale 3 also serves as a stark example of the major demographic differences. Within a 3-mile radius, the population around it was less than 10% of the population surrounding the subject property, while its

household count was less than 11% of the subject property's total.[8] Although Fried applied location adjustments to account for these differences (e.g., +20% for Sale 3), she primarily relied on her experience to determine the appropriate adjustments instead of providing market support for them. The same can be said of Fried's size adjustments—although Sales 2 and 3's improvements are about 50% smaller than the subject property's, she applied -10% adjustments based only on her experience and judgment.[9]

67. Additionally, Fried's inclusion of Sale 3, which was one of four bank branches acquired in a purchase of an entire business enterprise, raises concerns about improperly capturing value attributable to the business that she failed to adequately address. And her decision to use a leased fee sale (Sale 1) as a comparable sale is similarly troubling. As Hall pointed out, the Appraisal of Real Estate says that leased fee sales can only be used as comparable sales if the appraiser can make reasonable and supportable market adjustments for the differences in real property rights. More importantly, it explains that appraisers must determine if the contract rent of the comparable property was above, below, or equal to market rent in order to compare the value of the leased fee of the comparable property to the value of the fee simple estate of the subject property. While Fried testified that she considered the relationship between contract rent and market rent, she admittedly did not provide any analysis of Sale 1's contract rent in relation to market rent in her appraisal. Instead, Fried applied a -8% property rights adjustment because Sale1's capitalization rate was lower than the market capitalization rate. Fried then compounded the problem by electing to place primary emphasis on Sale 1 when reconciling her adjusted value range to a price per SF. Consequently, we find Fried's inclusion of Sale 1 seriously detracts from the overall credibility of her sales comparison approach.

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[8] *See Pet'r Ex. A at 77, 79*

Population – 3 Mile Radius:	Subject property: 34,704	Sale 3: 3,418	
Households – 3 Mile Radius:	Subject property: 12,382	Sale 3: 1,346	

[9] *See Pet'r Ex. A at 77, 79*

Size (Rentable Area):	Subject property: 5,075 SF	Sale 2: 2,337 SF	Sale 3: 2,330 SF

c. Fried's Income Capitalization Approaches

68. The Assessor's only real criticism of Fried's income capitalization approach was that her capitalization rate lacked support. The Assessor pointed out that the five comparable banks Fried included in her cap rate analysis all sold after the relevant valuation dates, with one closing as far out as June 2021. The Assessor also complained about the large size variations in rentable area and the significant differences in age between the five banks she relied on and the subject property. And we note that Fried failed to adequately explain why she selected an unloaded capitalization rate for 2018 (8.50%) that was above both the range indicated by her five comparable banks (7.75% to 8.25%) and the indicated capitalization rate produced by her band of investment analysis (8.0%). While these issues weaken our confidence in Fried's methods and her general attention to detail, both Fried and Hall ultimately selected nearly identical capitalization rates, diminishing our concerns that she missed the mark. Overall, we conclude that Fried's income approach is a reliable estimate of the subject property's value.

d. Conclusion

69. Although Fried's individual approaches have flaws that weaken their credibility, we conclude that her appraisal nevertheless provides probative evidence of the subject property's market values-in-use for 2018 and 2019 and that it is sufficient to raise a prima facie case supporting reduced assessments for both years. We will therefore examine the Assessor's evidence to determine whether it is more persuasive.

2. Hall's Appraisal

70. We now turn to Hall's appraisal. Like Fried, Hall developed all three generally accepted appraisal approaches. Although none of Hall's valuation approaches are perfect, we conclude that they all have probative value.

a. Hall's Cost Approaches

71. With respect to Hall's cost approaches, Old National's primary criticism was Hall's

decision to rate the building's physical characteristics as "good" construction quality, which led him to select a higher base rate from MVS than Fried did based on her selection of an "average" rating. However, as we have already explained in our analysis of Fried's cost approach, our review of the evidence leads us to conclude that Hall's opinion is more persuasive. And as a result, Hall's final value conclusions under the cost approach are ultimately more persuasive than Fried's conclusions. While Old National also questioned how Hall developed his square footage estimate for the improvements, we find Hall's use of the PRC and tracing methods produced a credible estimate.

b. Hall's Sales Comparison Approaches

72. Old National raised a host of concerns with Hall's sales comparison approaches. However, the intent of many of them seemed focused on shoring up weaknesses in Fried's appraisal rather than true attempts at undermining Hall's analyses. For example, Old National questioned Hall's comfort level in adjusting his Comparable Sale 1 given that it sold four months after the 2018 valuation date, which appears to have been in response to the Assessor's criticism of Fried's use of comparable sales that sold after the valuation dates in both her land valuation and sales comparison approach. However, Hall's use of a single post-valuation date sale is not as concerning as Fried's near-exclusive reliance on sales that closed after the relevant assessment dates.

73. We likewise find little merit in Old National's criticisms of Hall's adjustments. While Old National questioned Hall's application of a -15% physical characteristics adjustment for Comparable Sale 1 and his lack of a location adjustment for Comparable Sale 2, Hall provided credible explanations for his decisions regarding both. Specifically, Hall explained that he found no evidence that the strip mall located in front of Comparable Sale 2 was significant enough on its own to warrant a location or access/easement adjustment. If it had been, Hall opined that Comparable Sale 2 would have sold for a higher price per SF instead of selling for the lowest price of his four comparable sales. With respect to his physical characteristics adjustment for Comparable Sale 1, Hall convincingly explained that its 20' high ceilings, higher level of interior and exterior

finish, and architectural detail represented enough of a difference to justify an adjustment for construction quality.

74. Old National also complained about the lack of adjustments for expenditures after sale given Hall's admission that his comparable sales probably had some interior remodeling, signage, and painting work completed following the ownership changes. But Hall explained he did not have any information indicating that any work was actually completed. Although he thought there would likely be some remodeling work done post-sale, Hall did not think that the buyers and sellers adjusted the sales prices for any subsequent interior remodeling or decorating. Hall's position would certainly be stronger if he had confirmed his belief with the actual buyers and/or sellers. However, without information demonstrating that any remodeling work was actually completed, we do not find the lack of adjustments for expenditures after sale particularly troubling.

75. Old National additionally questioned why Hall did not use the sale of a property located at 18 Providence Drive in Greenwood[10] that sold in the same portfolio sale as Comparable Sale 4. According to Old National, it sold for use as a credit union and is closer in both age and size to the subject property than Comparable 4. However, we credit Hall's testimony that it is markedly inferior to the subject property in terms of construction quality and would have required significant adjustments. Thus, we find no fault with his decision to exclude it from consideration.

76. Finally, in what appears to be a misguided attempt to support Fried's use of a leased fee sale, Old National questioned whether Hall's Comparable Sale 3 was in fact a leased fee sale because the buyer may have already had the subsequent lease to Centier Bank "in its pocket." However, Old National offered no facts demonstrating that there was a pre-negotiated lease in place prior to the sale. And as Hall pointed out, a buyer cannot lease a property that it does not own.

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[10] *See Resp't Ex. I.*

c. Hall's Income Capitalization Approaches

77. Old National lodged three related criticisms against Hall's income approach. It first questioned Hall's exclusion of expenses for repairs, maintenance, utilities, and insurance. Old National also questioned why Hall did not include expenses for repairs, maintenance, utilities, and insurance as a reimbursed expense since landlords are responsible for them during periods of vacancy. However, Hall explained that the market does not deduct for those expenses when calculating NOI under triple-net leases because those expenses are the tenant's responsibility. He further explained that the market does not isolate those particular expenses as a line-item deduction because the risk is inherently accounted for in the capitalization rate.

78. Finally, Old National questioned why Hall included an allowance for vacancy and collection loss even though Old National fully occupies the subject property. Hall explained that when using the direct capitalization method, appraisers take one year of NOI and project it into perpetuity, and it is unlikely that a property will be leased for 100 years without some period of vacancy. He intended his 5% vacancy deduction to account for typical tenant turnover (e.g., a 10-year lease with six months of vacancy before it is leased again).

79. While some of Hall's explanations could have been more thorough, we conclude that Old National's criticisms do little to detract from the reliability of Hall's income capitalization approach.

C. WEIGHING THE EVIDENCE

80. Although Fried's appraisal is sufficient to raise a prima facie case that the subject property was over-assessed in 2018, we conclude that Hall's appraisal ultimately provides the most persuasive evidence of its market value-in-use. Hall relied on superior data when developing all three of his valuation approaches, and he provided better market support and more thorough explanations for many of his decisions. Fried's appraisal, on the other hand, suffered from several significant issues that diminish its persuasive value,

including but not limited to her opinion of the building's construction quality and her use of a leased fee sale in the sales comparison approach. She also had to spend a significant amount of time during examination correcting the numerous errors contained throughout her appraisal report. While these errors may have had little effect on her ultimate value conclusions, they demonstrate a degree of carelessness that further detracts from her overall credibility. We therefore conclude that the subject property's 2018 assessment must be changed to reflect Hall's opinion of value—$1,550,000.

81. Because the value we determined for 2018 is higher than the 2019 assessment, Old National retains the burden of proof for 2019. And for the reasons stated above, we reach the same conclusion with respect to 2019—although Fried's appraisal was sufficient to raise a prima facie case, Hall's appraisal was ultimately more persuasive. Thus, we conclude that the subject property's 2019 assessment must also be changed to $1,550,000.

FINAL DETERMINATION

In accordance with the above findings of fact and conclusions of law, we order the 2018 and 2019 assessed values changed to $1,550,000.

Jonathan R. Elrod
Chairman, Indiana Board of Tax Review

Betsy J. Brand
Commissioner, Indiana Board of Tax Review

Timothy Schultz
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>.