SUPREME COURT OF OHIO

Rancho Cincinnati Rivers, L.L.C. v. Warren Cty. Bd. of Revision

2021 Ohio 2798 (Ohio 2021) · No. 2020-0643 · Decided August 18, 2021

SUMMARY

The Supreme Court of Ohio held that R.C. 5713.03 requires real property to be valued as a fee-simple estate as if unencumbered, meaning free of lease encumbrances, but does not require the property to be treated as vacant at transfer. The court adopted a market-lease approach permitting consideration of leases with market terms and affirmed the lower court's valuation of the Lowe's property at $8,480,000.

CASE DETAILS

COURT	Supreme Court of Ohio
WRITING FOR THE COURT	Donnelly, J.; O'Connor, C.J.; Kennedy, J.; Fischer, J.; Dewine, J.; Brunner, J.; Stewart, J.
JURISDICTION	Ohio
DECIDED	August 18, 2021
DOCKET	2020-0643
DISPOSITION	affirmed
PROCEDURAL POSTURE	Appeal from the Twelfth District Court of Appeals affirming the Warren County Court of Common Pleas' determination of the property's 2016 taxable value.
STANDARD OF REVIEW	Questions concerning construction and application of R.C. 5713.03 are reviewed de novo. A common pleas court's determination of taxable value after reviewing a board-of-revision decision is reviewed for abuse of discretion.
PRECEDENTIAL VALUE	published
PARTIES	Rancho Cincinnati Rivers, L.L.C. v. Warren County Board of Revision, Warren County Auditor, Kings Local School District Board of Education

TOPICS

property tax · real estate · tax · statutory interpretation · appellate procedure

PRACTICE AREAS

property taxation · real-property valuation · appellate procedure · statutory interpretation

QUESTIONS PRESENTED

1. Whether R.C. 5713.03's requirement that real property be valued as a fee-simple estate, as if unencumbered, requires the property to be appraised as vacant at the time of transfer.
2. Whether R.C. 5713.03 requires an appraiser to make fixed property-rights adjustments to comparable sales involving lease encumbrances.
3. Whether the common pleas court abused its discretion by adopting the school board's $8,480,000 appraisal over Rancho's $5,800,000 appraisal.

HOLDINGS

1. R.C. 5713.03 requires application of a market-lease rule, not a vacant-at-transfer rule. Property must be valued as if free from an encumbrance such as a lease, but the statute does not require the appraiser to assume that the current tenant vacated or that the property was vacant at the time of transfer.
2. Neither R.C. 5713.03 nor Ohio precedent requires or forbids a fixed property-rights adjustment to comparable sales involving leases. Adjustments are permissible when supported by an appraiser's expert analysis of the relevant market.
3. The common pleas court acted within its discretion by finding the school board's appraisal more probative and adopting its $8,480,000 valuation.

KEY QUOTATIONS

> *"In sum, our case law establishes a "market-lease rule.""* (¶ 32)

> *"The selection of comparable sales and adjustments made to the sale prices by an expert appraiser, so long as the sales and the adjustments relate to the market for the property at issue, are legally permissible."* (¶ 35)

FACTUAL BACKGROUND

Rancho owned a 141,400-square-foot Lowe's Home Centers property on more than 12 acres in Warren County. Rancho acquired the property in 2011 for $5,130,000, subject to a 20-year ground lease under which Lowe's paid $375,000 annually. For the 2016 tax year, Rancho's appraiser valued the property at $5,800,000 using sales-comparison and income-capitalization approaches, while the school board's appraiser valued it at $8,480,000 after considering comparable first-generation leased properties and market rents. The lower courts adopted the school board's valuation.

PROCEDURAL HISTORY

The Warren County Auditor assessed the property at $8,493,150 for tax year 2016. After Rancho challenged the assessment, the Warren County Board of Revision retained the auditor's valuation. On appeal under R.C. 5717.05, the Warren County Court of Common Pleas initially adopted Rancho's appraiser's $5,800,000 valuation, but after objections it sustained the county and school board's objections and adopted an $8,480,000 valuation based on the school board's appraisal. The Twelfth District Court of Appeals affirmed, and the Supreme Court of Ohio accepted jurisdiction and affirmed.

DISPOSITION

affirmed

CASES CITED

- NWD 300 Spring, L.L.C. v. Franklin Cty. Bd. of Revision, 151 Ohio St. 3d 193, 2017-Ohio-7579, 87 N.E.3d 199
- Black v. Cuyahoga Cty. Bd. of Revision, 16 Ohio St. 3d 11, 475 N.E.2d 1264 (1985)
- Akron Centre Plaza, L.L.C. v. Summit Cty. Bd. of Revision, 128 Ohio St. 3d 145, 2010-Ohio-5035, 942 N.E.2d 1054
- Terraza 8, L.L.C. v. Franklin Cty. Bd. of Revision, 150 Ohio St. 3d 527, 2017-Ohio-4415, 83 N.E.3d 916
- Harrah's Ohio Acquisition Co., L.L.C. v. Cuyahoga Cty. Bd. of Revision, 154 Ohio St. 3d 340, 2018-Ohio-4370, 114 N.E.3d 192
- Alliance Towers, Ltd. v. Stark Cty. Bd. of Revision, 37 Ohio St. 3d 16, 523 N.E.2d 826 (1988)
- Wynwood Apts., Inc. v. Cuyahoga Cty. Bd. of Revision, 59 Ohio St. 2d 34, 391 N.E.2d 346 (1979)
- Berea City School Dist. Bd. of Edn. v. Cuyahoga Cty. Bd. of Revision, 106 Ohio St. 3d 269, 2005-Ohio-4979, 834 N.E.2d 782
- Ratner v. Stark Cty. Bd. of Revision, 23 Ohio St. 3d 59, 491 N.E.2d 680 (1986)
- Ratner v. Stark Cty. Bd. of Revision, 35 Ohio St. 3d 26, 517 N.E.2d 915 (1988)
- Hilliard City School Dist. Bd. of Edn. v. Franklin Cty. Bd. of Revision, 53 Ohio St. 3d 57, 558 N.E.2d 1170 (1990)
- Westerville City Schools Bd. of Edn. v. Franklin Cty. Bd. of Revision, 154 Ohio St. 3d 308, 2018-Ohio-3855, 114 N.E.3d 162
- Steak 'n Shake, Inc. v. Warren Cty. Bd. of Revision, 145 Ohio St. 3d 244, 2015-Ohio-4836, 48 N.E.3d 535
- Rite Aid of Ohio, Inc. v. Washington Cty. Bd. of Revision, 146 Ohio St. 3d 173, 2016-Ohio-371, 54 N.E.3d 1177
- Lowe's Home Ctrs., Inc. v. Washington Cty. Bd. of Revision, 145 Ohio St. 3d 375, 2016-Ohio-372, 49 N.E.3d 1266
- Lowe's Home Ctrs., Inc. v. Washington Cty. Bd. of Revision, 154 Ohio St. 3d 463, 2018-Ohio-1974, 116 N.E.3d 79
- EOP-BP Tower, L.L.C. v. Cuyahoga Cty. Bd. of Revision, 106 Ohio St. 3d 1, 2005-Ohio-3096, 829 N.E.2d 686
- Lingle v. State, 2020-Ohio-6788
- K Mart Corp. v. Cartier, Inc., 486 U.S. 281, 108 S. Ct. 1811, 100 L. Ed. 2d 313 (1988)
- Nationwide Mut. Ins. Co. v. Darden, 503 U.S. 318, 112 S. Ct. 1344, 117 L. Ed. 2d 581 (1992)
- Community for Creative Non-Violence v. Reid, 490 U.S. 730, 108 S. Ct. 2166, 104 L. Ed. 2d 811 (1989)

- NLRB v. Amax Coal Co., 453 U.S. 322, 101 S. Ct. 2789 (1981)
- Wayt v. DHSC, L.L.C., 155 Ohio St. 3d 401, 2018-Ohio-4822, 122 N.E.3d 92
- HIN, L.L.C. v. Cuyahoga Cty. Bd. of Revision, 138 Ohio St. 3d 223, 2014-Ohio-523, 5 N.E.3d 637
- AEI Net Lease Income & Growth Fund v. Erie Cty. Bd. of Revision, 119 Ohio St. 3d 563, 2008-Ohio-5203, 895 N.E.2d 830
- Rhodes v. Hamilton Cty. Bd. of Revision, 117 Ohio St. 3d 532, 2008-Ohio-1595, 885 N.E.2d 236

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