

Naswa Motor Inn, Inc.

v.

City of Laconia

Docket No. 4763-88

DECISION

A hearing in this appeal was held on October 25, 1990. Mr. Peter Makris, Treasurer of Naswa Motor Inn, Inc., was present and was represented by R. William Gordon and Gerry Prud'homme of Equitax. The City was represented by Kathryn H. Temchack, Assessor, and Scott W. Bartlett, of M.M.C., Inc.

The Taxpayer appeals the 1988 assessment of \$1,922,300 (land, \$1,007,800; buildings, \$914,500) placed on the property located at 1068 Weirs Boulevard, which consists of 30 motel units, 12 motel efficiency units, 18 detached cottages, a 54-seat restaurant with lounge, a 3-bedroom dwelling, and boat docks on a 2.2- to 2.5-acre parcel.

Mr. Makris and his representatives argued the income from the property could not support the assessed value and that the income approach to value indicated a more appropriate value of \$1,380,600 for 1988.

The City presented three comparable sales and attempted to show in its analysis on the spreadsheet (City Exhibit A) that the Taxpayer was proportionally assessed to the comparables.

The Board finds that this case is an excellent example where no one approach to value provides conclusive evidence of the correct market value.

The three approaches, market, cost, and income, must be considered and weighed in relation to each other to arrive at a reasonable market value. The marketplace is a morass of human subjectivity that is difficult, if not impossible, to precisely quantify by a mathematical calculation without a substantial dose of judgement.

The Town in its assessment estimated the replacement cost for the buildings, adjusted them for physical and functional obsolescence, and added to it a market-derived land value. The land value was a combination of a frontage calculation plus an area calculation where the base condition factor on Paugus Bay was added to by an additional 10 percent per rental unit at Naswa Motor Inn.

The Taxpayer's representatives relied solely on the income approach using income and expense figures derived from the Taxpayer's income tax return. After deducting for personal property and business value, the remaining net operating income was capitalized to an indicated market value.

The Board rules that the Town's cost approach sets the upper limits of value that could conceivably be obtained under the best of situations.

It should be tempered, but not dictated, by what a reasonable income-approach calculation would indicate. The Board notes that the income approach ignores, for instance, the relationship and possible synergy between the subject parcel and the land across Weirs Boulevard (owned by Peter and Hope Makris, the principals of Naswa Motor Inn) that provides housing for employees and parking for boat trailers for customers of the Naswa Motor Inn. The Board finds in this case that the income approach highlights some of the physical and functional difficulties with this property:

- The cottages are old, seasonal, and less desirable by today's market standards.
- The 12- and 30-unit motel buildings are not economical to operate on a year-round basis.
- The general market for this type of operation is very seasonal.
- The over-dense development of the lot, while conceivably allowing the potential for more income, also causes some conjection and lack of spaciousness that could affect rental rates.

Therefore, the Board rules that the two motel buildings, Units 130, Units 31-42, and the restaurant and lounge should receive 15 percent functional depreciation for their seasonal utility. The cottages should receive an additional 15 percent functional depreciation for below-today's-market standards and for their under-utilization. Further, the land area calculations should be reduced by 15 percent to reflect that the land value in this case does not increase in a linear fashion with each additional rental unit that is located on the parcel due to the below-standard nature of the cottages and the over-dense development of the lot.

Thus, the correct 1988 valuation is summarized as follows:

<u>Buildings</u>		
Units 1-30 and outbuildings		\$245,300
Units 31-42		131,200
House		91,100
Cottages:	#12	7,900
	#14	8,700
	#15	4,700
	#16	4,700
	#17	10,000
	#18	10,400
	#19	10,000
	#20	10,000
	#21	9,700
	#22	9,700
	#23	9,700

#24	9,700
#25	9,700
#26	4,800

	#27	4,800
	#28	4,800
	#29	4,800
	#30	5,500
Restaurant		135,900
Total building value		\$743,100
Land value		893,200
Total value		\$1,636,300

If the taxes have been paid, the amount paid on the total in excess of \$1,636,300 is to be refunded with interest at six percent per annum from date of payment to date of refund.

November 7, 1990

SO ORDERED.

BOARD OF TAX AND LAND APPEALS

George Twigg, III, Chairman

Peter J. Donahue

Paul B. Franklin

I certify that copies of the within Decision have been mailed this date, postage prepaid, to Peter Makris, Treasurer, representing the Taxpayer, to the Chairman, Board of Assessors, City of Laconia, and to Scott W. Bartlett, M.M.C., Inc.

November 7, 1990

Michele E. LeBrun, Clerk

