



STATE TAX COMMISSION OF MISSOURI

SRC St. Louis Office Owner LLC,)	Appeal No. 23-20089 and 23-20090
Complainant(s),)	
)	
v.)	
)	
)	
)	
MICHAEL DAUPHIN, ASSESSOR,)	
ST. LOUIS CITY, MISSOURI,)	
Respondent.)	

DECISION AND ORDER

SRC St. Louis Office Owner, LLC, (Complainant), appeals the City of St. Louis Board of Equalization's (BOE) decision determining the true value in money (TVM) of the subject commercial property as of January 1, 2023, alleging overvaluation. Complainant did not produce substantial and persuasive evidence of overvaluation. The BOE's decision is affirmed.¹

Complainant was represented by counsel, Robert Pernai. Respondent was represented by counsel, Nicholas Morrow. The evidentiary hearing was conducted on January 23, 2025, via WebEx before Senior Hearing Officer (SHO), Todd D. Wilson. At

¹ Complainant timely filed a complaint for review of assessment. The State Tax Commission (STC) has authority to hear and decide Complainant's appeal. Mo. Const. art. X, Section 14; section 138.430.1, RSMo 2000. All statutory citations are to RSMo 2000, as amended.

the conclusion of the Evidentiary Hearing, the parties were given until March 21, 2025, to file briefs in this matter. The parties stipulated that no reply briefs would be filed without further Order. Both parties timely filed briefs in these appeals, no reply briefs were requested or filed.

FINDINGS OF FACT

1. Subject Property. The subject property is a 12 story office building containing 260,811 square feet of rentable area. It is located in the Central Business District (CBD) of the City of St. Louis with an address of 100 S. 4th Street, St. Louis and is commonly referred to as the “Deloitte Building”. It was built in 1987. It is located on approximately 0.81 acres of land. The property has 34 parking spaces in the lower level with other parking spaces made available to tenants by the parking garage to the west of the property. It has two parcel numbers associated with it, 6468-9-030.000 is the main building structure; parcel 6468-9-020.000 is an “air rights only” parcel. The property is 78.5% occupied as of January 1, 2023. The owner of the property had been notified that a tenant that occupied 42.5% of the building would be vacating the property in February of 2024.

2. BOE. The first parcel was valued by the Assessor at a TVM of \$16,247,800 which was reduced by the BOE to \$14,128,900. The second parcel was valued by the Assessor and the BOE at \$130,100. All values are as of January 1, 2023. Respondent’s appraisal valued the property (including both parcels) at \$13,300,000 as of January 1, 2023, and that is the value that is being sought by Respondent rather than the value set by the BOE.

3. Complainant’ Evidence. Complainant submitted Exhibit A, the appraisal report

completed by Pat White, and the Written Direct Testimony of Mr. White, a commercial appraiser licensed in Missouri, which were received without objection. The value determined by the appraisal includes both parcels.

Mr. White developed the Sales Comparison Approach and the Income Capitalization Approach to value. Mr. White did not develop the Cost Approach as the building is approximately 40 years old making it difficult to accurately determine depreciation and obsolescence and, in his experience, market participants do not use the Cost Approach for this type of property.

Mr. White developed the Sales Comparison Approach using three sales of office buildings in close proximity to the subject property. Two of the sales were noted to be “distressed sales”. (Exhibit A at 69; 86 of PDF). Mr. White made adjustments to the sales of 35%, 55% and 90%. Id. After adjustment, the per square foot price ranged from \$48.25 to \$64.57 with an average of \$57.99 per square foot. Mr. White calculated that the Retrospective as Stabilized Value of the property was \$13,854,086 but then discounted that by \$8,860,000 as a lease-up discount for a final value of \$4,994,086 which is \$19.13 per square foot. (Exhibit A at 70).

Mr. White also developed the Income Capitalization Approach using six multi-tenant office properties in close proximity to the subject property for rental comparison. After making adjustments for size, amenities and other adjustments, the rental rates ranged from \$15.68 to \$18.50 per square foot. (Exhibit A at 72). Mr. White also reviewed the rent rolls of the subject property along with the expenses of the property. Mr. White made note that a major tenant, 110,800 square feet on five floors was going to vacate the subject

property in February, 2024, 14 months after the valuation date. Based on this, Mr. White considered this space vacant for the purpose of his analysis. (Exhibit A at 77). Mr. White projected operating expenses of \$9.30 per square foot, “which is above the range of the expense comparables.” (Exhibit A at 88). The results of Mr. White’s analysis is that the property would have a projected NOI of \$2,349,146 or \$9.01 per square foot. Id.

Mr. White then analyzed several factors to determine a capitalization rate, those include comparable sales, published investor surveys, market participants, band of investment technique and the debt coverage ratio technique to arrive at a capitalization rate of 13% and a loaded capitalization rate of 16.18%. (Exhibit A at 92). Using the NOI and derived capitalization rate, Mr. White arrived at a Retrospective as Stabilized value of the property of \$14,522,986 which he then reduced by a lease-up discount of \$8,780,000 to arrive at a final value of \$5,740,000 by the income capitalization method. (Exhibit A at 94). Mr. White included a Lease-up discount spreadsheet in his appraisal report at pages 95-96; which assume a vacancy and credit loss of 64% in January of 2023 and projects 48 months to arrive at a stabilized occupancy rate of 85%.

Mr. White then reconciled the two valuation methods, giving primary emphasis on the income capitalization approach to arrive at a final value of \$5,740,000 for the subject property.

4. Respondent's Evidence. Respondent submitted Exhibit 1, the appraisal report prepared by Ryan Brennan and the WDT of Mr. Brennan, both of which were received without objection. Mr. Brennan is employed as a commercial appraiser in the office of the Assessor of the City of St. Louis, therefore, is not required to be licensed as a real estate

appraiser in accordance with Section 339.501.5 of the Revised Statutes of Missouri. The appraisal gave one TVM that included both parcels.

Mr. Brennan developed Sales Comparison Approach and the Income Capitalization Approach to value. Mr. Brennan also did not believe that the Cost Approach was appropriate for use in this situation due to the building's age which would make depreciation and obsolescence difficult to determine. Mr. Brennan did develop a land value and a "shell" value of the property in the consideration of the highest and best use analysis.

To develop the land value, Mr. Brennan used five sales that were in the same or similar neighborhoods as the subject property. The values ranged from \$64.20 to \$91.94 per square foot. Mr. Brennan determined that a reasonable value for land on which the subject property is located was \$85 per square foot or \$1,829,000. (Exhibit 1 at 34).

To develop the "shell" value of the property, Mr. Brennan used 5 sales and adjusted for time, location and size. The adjusted values ranged from \$29.47 to \$53.06 per square foot with the median at \$36.40 and the average at \$38.57. Mr. Brennan determined that a reasonable shell value of the subject property would be \$37.00 per square foot or a value of \$10,286,000. (Exhibit 1, at 37).

Mr. Brennan developed the Income Capitalization Approach to Value using the subject property's income and expense records for 2020 to 2022, market rents, vacancy and expenses to estimate an income statement for the subject property. (Exhibit 1 at 39). Mr. Brennan used 6 leases from office buildings in the CBD. The lease rates ranged from \$16.00 to \$20.50 per square foot after adjustments for condition, time, size, parking availability, lease length and the quality and condition of the building. Mr. Brennan

analyzed various factors and determined that \$17.00 per square foot is a reasonable rental rate for the subject property. Mr. Brennan used the actual vacancy rate of 21.5% to determine an effective rental income for the property. (Exhibit 1 at 48). To determine the expenses, Mr. Brennan used its historical data as well as the expenses of 5 other similarly situated office buildings. The other buildings expenses ranged from \$4.10 to \$9.58 per square foot with an average of \$6.39. The expenses of the subject building were higher than average and more weight was given to its historic performance to arrive at an expense figure of \$9.12 per square foot. (Exhibit 1 at 52). Mr. Brennan then derived an unloaded capitalization rate of 10% and a loaded capitalization rate of 13.07%. The projected NOI of the property is \$1,750,232 with a cap rate of 13.07% resulting in a rounded value of \$13,390,000.

Mr. Brennan also developed the Sales Comparison Approach to value using three sales of office buildings in the CBD. He found the adjusted price per square foot was from \$40.94 to \$68.04 with an average of \$53.23 per square foot. Mr. Brennan gave the most weight to a sale that was the closest in time to the valuation date. He determined that a price of \$50 per square foot was reasonable for the subject property, giving a rounded TVM of \$13,040,000. (Exhibit 1 at 66). Mr. Brennan reconciled the two approaches giving the most weight to the income approach to arrive at a final TVM of \$13,300,000. Respondent is seeking the valuation of the property be set at \$13,300,000 in accordance with this appraisal and is not seeking that the BOE valuation be affirmed.

5. Value. The TVM of the subject property as of January 1, 2023 for parcel 6468-9-030.000 the main building structure, Appeal 23-20089 is \$13,170,000; and for parcel

6468-9-020.000 “air rights only,” Appeal 23-20090 is \$130,000.

CONCLUSIONS OF LAW

1. Assessment and Valuation

Pursuant to Article X, Sections 4(a) and 4(b), Mo. Const. of 1945 real property and tangible personal property is assessed at its value or such percentage of its value as may be fixed by law for each class and for each subclass. Article X, Sections 4(a) and 4(b), Mo. Const. of 1945. Commercial real property is assessed at 32% of its TVM as of January 1 of each odd-numbered year. Section 137.115.5(1)(c). "True value in money is the fair market value of the property on the valuation date and is a function of its highest and best use, which is the use of the property which will produce the greatest return in the reasonably near future." *Snider v. Casino Aztar/Aztar Mo. Gaming Corp.*, 156 S.W.3d 341, 346 (Mo. banc 2005) (internal quotation omitted). The fair market value is "the price which the property would bring from a willing buyer when offered for sale by a willing seller." *Mo. Baptist Children's Home v. State Tax Comm'n*, 867 S.W.2d 510, 512 (Mo. banc 1993). Determining the TVM is a factual issue for the STC. *Cohen v. Bushmeyer*, 251 S.W.3d 345, 348 (Mo. App. E.D. 2008). The "proper methods of valuation and assessment of property are delegated to the Commission." *Savage v. State Tax Comm'n*, 722 S.W.2d 72, 75 (Mo. banc 1986).

"For purposes of levying property taxes, the value of real property is typically determined using one or more of three generally accepted approaches." *Snider*, 156 S.W.3d at 346. The three generally accepted approaches are the cost approach, the income approach, and the comparable sales approach. *Id.* at 346-48. The STC has wide

discretion in selecting the appropriate valuation method but "cannot base its decision on opinion evidence that fails to consider information that should have been considered under a particular valuation approach." *Id.*, at 348.

The income approach "is most appropriate in valuing investment-type properties and is reliable when rental income, operating expenses and capitalization rates can reasonably be estimated from existing market conditions." *Snider*, 156 S.W.3d at 347. "The income approach determines value by estimating the present worth of what an owner will likely receive in the future as income from the property." *Id.* "The income approach is based on an evaluation of what a willing buyer would pay to realize the income stream that could be obtained from the property when devoted to its highest and best use." *Id.* (internal quotation omitted). "When applying the income approach the valuing business property for tax purposes, it is not proper to consider income derived from the business and personal property; only income derived from the land and improvements should be considered." *Id.*

2. Evidence

The hearing officer is the finder of fact and determines the credibility and weight of the evidence. *Kelly v. Mo. Dep't of Soc. Servs., Family Support Div.*, 456 S.W.3d 107, 111 (Mo. App. W.D. 2015). The finder of fact in an administrative hearing determines the credibility and weight of expert testimony. *Hornbeck v. Spectra Painting, Inc.*, 370 S.W.3d 624, 632 (Mo. banc 2012). "It is within the purview of the hearing officer to determine the method of valuation to be adopted in a given case." *Tibbs v. Poplar Bluff Assocs. I, L.P.*, 599 S.W.3d 1, 9 (Mo. App. S.D. 2020). The hearing officer "may inquire of the owner of the property or of any other party to the appeal regarding any matter or issue relevant to

the valuation, subclassification or assessment of the property." Section 138.430.2. The Hearing Officer's decision regarding the assessment or valuation of the property may be based solely upon his inquiry and any evidence presented by the parties, or based solely upon evidence presented by the parties. *Id.*

3. Prior Decisions of the State Tax Commission.

"STC decisions and orders are non-binding, persuasive authority aiding the consistent disposition of factually analogous cases." *Tuba v. Zimmerman*, Appeal No. 21-18285, 2022 WL 16841480 at• 6 (Mo. St. Tax Com. Nov. 4, 2022) (emphasis added); *see also Laclede Gas Co. 's Verified Application to Re-Establish & Extend the Fin. Auth. Previously Approved By the Comm 'n v. Mo. Pub. Serv. Comm 'n*, 526 S.W.3d 245, 252 (Mo. Ct. App. W.D. 2017) (an administrative agency, such as the STC, "is not bound by its previous decisions, so long as its current decision is not otherwise unreasonable or unlawful.").

4. Complainant's Burden of Proof

The BOE's valuation is presumptively correct. *Rinehart v. Laclede Gas Co.*, 607 S.W.3d 220, 227 (Mo. App. W.D. 2020). To prove overvaluation, a taxpayer must rebut the BOE's presumptively correct valuation and prove the "value that should have been placed on the property." *Snider*, 156 S.W.3d at 346. The taxpayer's evidence must be both "substantial and persuasive." *Id.* "Substantial evidence is that evidence which, if true, has probative force upon the issues, and from which the trier of fact can reasonably decide the case on the fact issues." *Savage*, 722 S.W.2d at 77 (internal quotation omitted). Evidence is persuasive when it has "sufficient weight and probative value to convince the trier of

fact." *Daly v. P.D. George Co.*, 77 S.W.3d 645, 651 (Mo. App. E.D. 2002); *see also White v. Dir. of Revenue*, 321 S.W.3d 298, 305 (Mo. banc 2010) (noting the burden of persuasion is the "party's duty to convince the factfinder to view the facts in a way that favors that party"). A taxpayer does not meet his burden if evidence on any essential element of his case leaves the STC "in the nebulous twilight of speculation, conjecture and surmise." *See, Rossman v. G.G.C. Corp. of Missouri*, 596 S.W.2d 469, 471 (Mo. App. 1980).

5. Complainant Did Not Prove Overvaluation.

Respondent's appraisal report valued the property at \$13,300,000. Complainant's appraisal valued the "Stabilized" value of the property at \$13,854,086 by the Sales Comparison Method and \$14,522,986 by the Income Approach, both of which were then reduced by over \$8,700,000 as lease-up expenses to arrive at his final value of \$5,740,000. The difference in the appraisals is the lease-up expenses.

Complainant's opinion of value is not persuasive. Complainant's evidence was the written direct testimony and report of Mr. White. Complainant argues that the loss of a major tenant must be considered in valuing the subject property. While that certainly could be a consideration, the manner in which it was addressed by Mr. White is unreasonable. Mr. White assumes that the tenant has vacated the property as of January 1, 2023, knowing that the tenant is planning to relocate in February, 2024, 14 months later. This ignores the reality of the situation in which the tenant will be paying rent for an additional 14 months. Mr. White's calculations do not reflect any of these rent payments and assume a period of 48 months to reach a stabilized vacancy rate of 15%.

Mr. Brennan's appraisal valued the property as it was situated on January 1, 2023.

The appraisal used the historical vacancy rate of the property, income and expenses of the property to arrive at a TVM that is supported by substantial and persuasive evidence.

CONCLUSION AND ORDER

The BOE decision is set aside. The TVM of the subject property as of January 1, 2023, for parcel 6468-9-030.000, the main building structure, Appeal 23-20089 is \$13,170,000; and for parcel 6468-9-020.000, “air rights only,” Appeal 23-20090 is \$130,000.

Application for Review

A party may file with the Commission an application for review of this decision within 30 days of the mailing date set forth in the certificate of service for this decision. The application "shall contain specific detailed grounds upon which it is claimed the decision is erroneous." Section 138.432. The application must be in writing, and may be mailed to the State Tax Commission, P.O. Box 146, Jefferson City, MO 65102-0146, or emailed to Legal@stc.mo.gov. A copy of the application must be sent to each person listed below in the certificate of service.

Failure to state specific facts or law upon which the application for review is based will result in summary denial. Section 138.432.

Disputed Taxes

The Collector of the City of St. Louis, as well as the collectors of all affected political subdivisions therein, shall continue to hold the disputed taxes pending the possible filing of an application for review, unless said taxes have been disbursed pursuant to a court

order under the provisions of section 139.031.

So ordered July 10, 2025.

STATE TAX COMMISSION OF MISSOURI

Todd D. Wilson
Senior Hearing Officer

Certificate of Service

I hereby certify that a copy of the foregoing has been electronically mailed and/or sent by U.S. Mail on July 11th, 2025, to:

Complainant(s) and/or Counsel for Complainant(s), the County Assessor and/or Counsel for Respondent and County Collector.

Stacy M. Ingle
Legal Assistant