



STATE TAX COMMISSION OF MISSOURI

PARKVILLE DEVELOPMENT 140, and)	Appeal No. 22-79138 & 22-79139
PARKVILLE DEVELOPMENT VVI, LLC)	
Complainant(s),)	
)	
v.)	
)	
)	
DAVID COX, ASSESSOR,)	
PLATTE COUNTY, MISSOURI,)	
Respondent.)	

DECISION AND ORDER

Parkville Development 140, LLC and Parkville Development VVI, LLC. (Complainants) appeal the Platte County Board of Equalization's (BOE) decision determining the true value in money (TVM) of the subject commercial property as of January 1, 2022, alleging overvaluation. Complainant produced substantial and persuasive evidence of overvaluation. The BOE's decision is set aside and the TVM of both tracts in these appeals is \$0 as of January 1, 2022.¹

Complainants were represented by counsel, Christopher M. Mattix. Respondent was represented by counsel, Stephen E. Magers. The evidentiary hearing was conducted on August 1, 2025, via WebEx before Senior Hearing Officer (SHO), Todd D. Wilson. Both parties submitted briefs in support of their positions by September 19, 2025, and both parties further submitted Reply

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.

Briefs by October 24, 2025.

FINDINGS OF FACT

1. Subject Property. The subject properties are 2 of multiple of properties that are part of the Creekside project in Parkville, Platte County, Missouri. The subject property in Appeal 22-79138 consists of approximately 1.77 acres and has a parcel number of 20-4.0-18-300-002-005.000 (Hotel parcel). On January 1, 2022, there was a partially completed hotel on the property. The subject property in Appeal 22-79139 consists of approximately 1.8 acres and has a parcel number of 20-4.0-19-000-000-025.000 (vacant parcel). On January 1, 2022, the property was vacant with no improvements.

The Creekside project is a 337 acre planned development that includes a mix of commercial and residential properties and uses. Brian Mertz is the developer of the Creekside project. The City of Parkville authorized the use of Chapter 100 economic incentive bonds for the commercial portion of the development. Kim Spies is an attorney and was counsel for Complainant in the process of the issuance of the Chapter 100 bonds. Rick McConnell is an attorney who was counsel for the City of Parkville in the process of the issuance of the Chapter 100 bonds. The bonds identify 4 entities collectively as the developers, two of which are the Complainants. (Exhibit E, page 44) The Chapter 100 bond issue for the commercial portion of the Creekside project was in an amount not to exceed \$171,000,000 with the term from the date of approval in 2019 until December 15, 2026. (Exhibit E, page 45)

Pursuant to the Commercial Chapter 100 Plan, title in the commercial property was conveyed to the City of Parkville, Missouri on September 1, 2019. (Exhibit F). The City's fee simple interest is exempt from ad valorem assessment under Article X, Sec. 6 of Missouri's Constitution and Section 137.100(2) RSMo. The City of Parkville leased the property back to the

entities that are the developers on September 1, 2019 with a termination date of December 15, 2026. (Exhibit G, Paragraph 3.2). The lease provides that the lessees must pay rent to the City of Parkville in an amount equal to the sum the City is required to pay in interest and bond principal to the holders of the Commercial Chapter 100 bonds and all costs associated with the issuance of the bonds. (Exhibit G, Article V, Rent Provisions). Paragraph 6.4 of the lease sets out that the parties expect the property to be exempt from all ad valorem real property taxes. Paragraph 11.4 of the lease sets out that the Company shall buy the property back from the City and the City shall sell to the Company when all bonds are redeemed or when the final payment is due, (December 15, 2026).

From the date of approval of the project by the City of Parkville in 2019 through 2021, there were several lots created by platting and dividing off parts of the commercial area. The Platte County Assessor's records accurately reflected the City of Parkville as the owner of these tracts and did not attempt to assess general ad valorem taxes against them; except for the two subject properties. The subject properties were owned by the City of Parkville, however, the Platte County Assessor's Office, in the tax statements, identified Parkville Development 140 as the owner of the hotel parcel in appeal 23-79138 and Parkville Development VVI as the owner of the vacant parcel in appeal 23-79139. In 2021 the development entities assigned all of their rights and obligations under the Commercial Chapter 100 bond documents to Creekside Hotel Partners, LLC in the hotel parcel. (Exhibit I). Exhibits K & L are ownership and encumbrance reports from a title company showing that ownership of the tracts is vested in the City of Parkville and that the hotel parcel is leased to Creekside Hotel Partners, LLC and the vacant parcel is leased to the development entities. Exhibit I sets out that Brian Mertz is the agent for Creekside Hotel Partners, LLC.

Complainants filed appeals with the Platte County Board of Equalization as set out on

Exhibits M & N for appeals 22-79138 & 22-19139, respectively. Exhibit M sets out that the owner's reason for value review was, "Correcting legal ownership of property"; the classification was "Exemption", requesting a taxable value of \$0 and had filled in the DBA as Creekside Hotel. Exhibit N sets out that the owner's reason for value review was, "correcting ownership"; the classification was "Exemption", requesting a taxable value of \$0. The appeals were filed under the names of Complainants, as shown on the tax statements.

2. BOE. The BOE classified the subject properties as commercial and independently determined the TVM on January 1, 2022, was \$3,773,450 for Appeal 22-79138 and \$90,000 for Appeal 22-79139.

3. Complainant' Evidence. Complainant submitted the following Exhibits:

Exhibit #	Description	# of pages	Received?
A	Warranty Deed 7/20/2018	4	Yes, no objection
B	Special Warranty Deed 9/19/2018	2	Yes, no objection
C	Aerial Photo	1	Yes, no objection
D	Parkville Ordinance 2990	35	Yes, no objection
E	Parkville Ordinance 2996	5	Yes, no objection
F	Special Warranty Deed 9/1/2019	7	Yes, no objection
G	Lease Agreement 9/1/2019	56	Yes, no objection
H	Memorandum of Lease	8	Yes, no objection
I	Assignment & Assumption Agmt	7	Yes, no objection
J	Memorandum of Assign & Assum	9	Yes, no objection
K	Ownership & Encumbrance Cert	7	Yes, no objection
L	Ownership & Encumbrance Cert	7	Yes, no objection
M	BOE Appeal form	3	Yes, no objection
N	BOE Appeal form	3	Yes, no objection
O	2022 RE Tax Receipt	1	Yes, no objection
P	2022 RE Tax Receipt	1	Yes, no objection
Q	2022 RE Tax Receipt	1	Yes, no objection
R	2022 RE Tax Receipt	1	Yes, no objection
S	2022 RE Tax Receipt	1	Yes, no objection
T	Notice of Change	1	Yes, no objection
U	Notice of Change	1	Yes, no objection
V	2023 Tax Receipt	1	Yes, no objection
W	2023 Tax Receipt	1	Yes, no objection
X	2023 BOE decision letter	2	Yes, no objection

Y	Bond Purchase Agmt	8	Yes, no objection
Z	Performance Agmt	19	Yes, no objection
AA	Memo of Performance Agmt	8	Yes, no objection
BB	Trust Indenture	65	Yes, no objection
CC	Certificate as to closing price	2	Yes, no objection
DD	TIF Bond Sheet 2019 Subseries G	1	Yes, no objection
EE	TIF Bond Sheet 2019	1	Yes, no objection
FF	Letter from Rouse Fretts et al	6	Yes, no objection
GG	Letter from Armstrong Teasdale LLP	4	Yes, no objection
HH	Appraisal Report of Tom Pryor	31	Yes, no objection
II	WDT of Brian Mertz	15	Yes, no objection
JJ	WDT of Kim Spies	10	Yes, over objection
KK	WDT of Rick McConnell	5	Yes, no objection
LL	WDT of Tom Pryor	7	Yes, no objection
MM	Respondent's responses	9	Yes, no objection
NN	Respondent's responses	7	Yes, no objection
OO	Respondent's responses	7	Yes, no objection
PP	Respondent's responses	7	Yes, no objection
QQ	STC Assessor's manual	22	Yes, no objection
RR	2024 USPAP Standards	82	Yes, no objection

Complainant presented testimony from Brian Mertz, the builder and developer of the Creekside Project. Mr. Mertz spoke, generally, about the Creekside Project. Mr. Mertz stated that the Chapter 100 bonds only applied to the commercial portion of the project which contained the two tracts in these appeals. The Chapter 100 bonds were approved in September of 2019 and had a final maturity date of December 15, 2026, as set out in the Ordinances passed by the City of Parkville. (Exhibits D & E). In accordance with the Chapter 100 plans, the fee simple interest in the properties were transferred to the City of Parkville. (Exhibit F). The properties were then leased back to the development entities. (Exhibit G).

Mr. Mertz identified Exhibits O, P & Q as tax bills for other commercial tracts in the Creekside Project that were issued in 2022. The tax bills show the owner of the property as the City of Parkville and have assessed amounts of \$0 for the ad valorem tax in 2022. Mr. Mertz also identified Exhibits R & S which were the tax statements for the two tracts involved in these

appeals; showing the Complainants as the owner of the tracts. Mr. Mertz further identified Exhibits T & U which are 2023 Notice of Change for the tracts in these appeals, however, they have slightly different parcel numbers, ending in 501 and representing leasehold interests in the underlying tracts. Exhibit X is the BOE decision valuing all the leasehold interests at \$0 for 2023. Mr. Mertz testified that as of January 1, 2022, there was foundation work completed on the hotel tract, but there was much work to be done before the hotel would be completed. Mr. Mertz testified that the vacant tract had no development occurring on it as of January 1, 2022.

On cross examination, Mr. Mertz stated that Parkville Development 140 did not have a leasehold interest in the hotel parcel, having assigned that interest to Creekside Hotel Partners, LLC in 2021. Mr. Mertz further stated that Parkville Development 140 did not own or control Creekside Hotel Partners, LLC.

At the conclusion of cross examination, Respondent moved to dismiss appeal 22-79138 as Complainant is not the owner or leaseholder of the property and was not the owner or leaseholder of the property on January 1, 2022, therefore, did not have standing to file and prosecute this appeal in accordance with Section 138.430.1 RSMo. The motion was taken under advisement and addressed by the parties in their respective briefs.

Complainant then called Rick McConnell as a witness. Mr. McConnell is an attorney who was outside counsel for the City of Parkville in the process of issuing the Chapter 100 economic development bonds. Mr. McConnell practices in the area of municipal bonds and public incentives and has been involved in many Chapter 100 bond projects. Mr. McConnell identified Exhibit GG as the letter from his firm to the City of Parkville expressing the opinion that the Chapter 100 bonds in the amount of \$171,000,000 are valid. To issue that letter, he reviewed, among other things, the ownership of the land, the Trust Indenture, and the Lease Agreement.

Mr. McConnell testified about the manner in which a project progresses, which is that tracts are surveyed off of the main commercial tract and developed using a subseries of the bonds. The subseries of bonds, in aggregate, total up to the total amount of the bonds authorized, in this matter that would be \$171,000,000. Each separate tract and the development upon it becomes its own subseries of bonds and as the development of the tracts are completed, the bonds can be paid off and the tract deeded from the City to the developer free from the restrictions of the Chapter 100 plan.

Mr. McConnell identified Exhibit DD as the subseries of bonds issued to fund the hotel on the subject property in Appeal 22-79138 in the amount of \$9,000,000 and identified the interest payable on those bonds. The interest was \$381,000 on 12/1/2021 and \$540,000 on 12/1/2022. (Exhibit DD). Mr. McConnell identified this principal and the interest payment as the rent set out in paragraph 5.1 of the Lease Agreement. (Exhibit G). Mr. McConnell identified Exhibit CC as a Certificate as to Closing Price which represented the costs of issuance of the bonds (\$1,262,366.50) prior to beginning the building of the hotel.

Mr. McConnell stated that this project is the only project of which he is aware in which the County Assessor attempted to assess ad valorem taxes during the pendency of the lease under a Chapter 100 bond project.

Complainant then called Kim Spies as a witness. Ms. Spies is an attorney who was counsel for the developer in the Creekside project. Ms. Spies stated that she has been practicing in the area of municipal bonds for over 40 years and has represented clients in Chapter 100 economic development bond projects approximately 25 times. Complainant offered Exhibit JJ, the Written Direct Testimony (WDT) of Ms. Spies to which Respondent objected to the legal opinions offered by Ms. Spies in the WDT. The objection was overruled and Exhibit JJ was received. Ms. Spies

identified Exhibit FF as the letter she authored on behalf of her firm expressing her opinion that the Chapter 100 bonds are valid. Ms. Spies stated that a developer in a Chapter 100 project has to pay PILOT (payment in lieu of taxes) fees rather than ad valorem taxes and the PILOT fees for these tracts are approximately \$2,400 per year.

Ms. Spies explained the purpose for the Chapter 100 bonds is to encourage economic development. By entering into this type of agreement, the City becomes the owner of the property. The developer then enjoys exemption from sales tax, and in her experience, from ad valorem real estate tax which makes the project more likely to succeed and, in the long run, to improve the economy of the City in which the project occurs. Ms. Spies stated that the purpose of setting up a Chapter 100 project is to avoid bonus value, thereby avoiding ad valorem real estate taxes. Ms. Spies stated that in her experience and years of practice, she has never before seen an Assessor attempt to assess ad valorem real estate taxes to a tract while it was in a Chapter 100 project as it would defeat the purpose of the Chapter 100 economic development program.

Ms. Spies identified Exhibit DD as the subseries of bonds issued to fund the hotel on the subject property in Appeal 22-79138 in the amount of \$9,000,000 and identified the interest payable on those bonds in the same amounts as Mr. McConnell. (Exhibit DD). Ms. Spies stated that the principal and the interest payment set out on Exhibit DD is the rent set out in paragraph 5.1 of the Lease Agreement. (Exhibit G).

Ms. Spies identified Exhibit EE as the amortization of the expenses incurred in setting up the Section 100 bond project, which is the same amount as that set out in Exhibit CC that Mr. McConnell had discussed. Ms. Spies testified that the amount set out on Exhibit CC represents the rent that would have to be paid, both principal (\$1,262,366.50) and interest (\$18,093.92 for 12/1/2019 and \$75,741.99 annually thereafter) on behalf of the project which would include the

vacant tract in 22-79139 prior to December 15, 2026.

Ms. Spies identified the leaseholder of the hotel parcel as Creekside Hotel Partners, LLC as of January 1, 2022. Ms. Spies identified the leaseholder of the vacant parcel as the original four entities that entered into the lease with the City, with Complainants being two of them.

Ms. Spies was called to testify in rebuttal after Respondent's evidence. She clarified that the Chapter 100 bonds cannot be refinanced, they have to be paid off or amended by the City as a new Chapter 100 project and that this has to be done by December 15, 2026.

Complainant's final witness was Tom Pryor. Mr. Pryor is a licensed real estate appraiser in Missouri. Mr. Pryor completed an appraisal report, Exhibit HH which was received without objection. Mr. Pryor stated that as of January 1, 2022, he estimated that the hotel was 50% complete. Mr. Pryor stated that though he tried, he could not find a lease for a half-completed hotel or a brand new hotel from which he could derive market rent. Mr. Pryor explained that as he understood his assignment, he was to determine a market value of the properties, then determine if there was bonus value for the leasehold which meant that the market rent would have to be in excess of the contract rent. As Mr. Pryor understood his assignment, for there to be bonus value, the rent would have to be in excess of \$540,000 per year for the hotel parcel and in excess of \$21,000 per year for the vacant parcel. He was basing that off the interest calculations on Exhibits DD & EE and apportionment of the amount due on Exhibit EE to the vacant parcel. Mr. Pryor stated that in his opinion there was no bonus value for the leaseholds as there was no market value rent for a half-completed hotel and that rent for a 1.8 acre vacant tract would not exceed \$21,000 per year.

On cross examination, Mr. Pryor stated that this is the first appraisal he has completed using the Bonus value method and that he relied upon the representations of counsel to understand

what the bonus value method is and how it works. Mr. Pryor was asked if the rent payments are the same as purchasing the Fee Simple outright. Mr. Pryor stated that was not correct as the bond principal payment would have to be considered as well, not just the interest payments. Mr. Pryor stated that in his opinion the value of the leasehold was equivalent to the value of the fee simple in this matter.

At the conclusion of Mr. Pryor's testimony, Respondent moved to strike Exhibit HH as the methodology used by Mr. Pryor was not consistent with Missouri Law. The Motion was overruled, the Exhibit is received and given the weight due it.

4. Respondent's Evidence. Respondent submitted the following Exhibits for the appeals. Exhibits 1 and 3-6 are received without objection in each appeal. Respondent withdrew Exhibit 7 in each appeal. Complainants objected to Exhibit 2 in each appeal for relevance as the methodology used in the appraisals was not consistent with Missouri Law. The objections were taken under advisement at the time of the hearing. The objections are overruled and Exhibit 2 in each of the appeals is received and given the weight due.

Exhibit #	Description	# of pages	Received?
Appeal 22-79138			
1	WDT of Robin Marx	8	Yes
2 (Amended)	Appraisal Report	83	Yes, over objection
3	Lease Agmt 9/1/2019	56	Yes
4	Performance Agmt	19	Yes
5	Trust Indenture	65	Yes
6	Complainant's responses to discovery	8	Yes
7	Emails	2	withdrawn
Appeal 22-79139			
1	WDT of Robin Marx	5	Yes
2	Appraisal Report	53	Yes, over objection
3	Lease Agmt 9/1/2019	56	Yes
4	Performance Agmt	19	Yes
5	Trust Indenture	65	Yes
6	Complainant's responses to discovery	7	Yes

7	Emails	2	Withdrawn
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Respondent presented testimony from Robin Marx, a real estate appraiser licensed in Missouri who completed the appraisal report, Exhibit 2, in each of the appeals. Mr. Marx has been an appraiser for over 50 years. Mr. Marx stated that he reviewed the chain of title documents and other documents in preparation for completing the appraisal report. Mr. Marx stated that the hotel located on the property was under construction on January 1, 2022. The purpose of the appraisal was to develop an opinion of the fair market value; the interest appraised was the Fee Simple Interest. (Exhibit 2, page 7). Mr. Marx in his report acknowledged that the land was deeded to the city and as such, is tax exempt. (Exhibit 2, page 6). Mr. Marx testified that he used the “Rushmore Method” for valuing hotels and also took into consideration other market factors. On cross examination, Mr. Marx stated that the transaction involved in these appeals is really just a financing mechanism to help pay for development rather than a lease.

Mr. Marx testified that as to the vacant land, it is zoned commercial and ready for development. It consists of 1.8 acres or 78,408 square feet. He stated that he started by valuing the fee simple interest in the property. Mr. Marx used the sales comparison approach to value the property. (22-79139 Exhibit 2, page 38). The final value for the vacant land was determined to be \$800,000. (22-79139 Exhibit 2, page 41). There is no reference to bonus value method, economic rent or contract rent in the appraisal report of the vacant land. The report estimates market rent for the property once it is developed for the retail market at \$16.50 per square foot. (22-79139 Exhibit 2, page 31). Mr. Marx did not state an amount for contract rent for the vacant parcel.

Mr. Marx testified that in his opinion, the possessory interest in the leaseholds is equivalent to the fee interests due to the reversion provision in the lease; if it weren’t for the reversionary interest in the lease, the leasehold interest would have much less value. Mr. Marx

stated that his appraisals accurately reflect the market value of the tracts, that being \$5,300,000 for the hotel parcel and \$800,000 for the vacant parcel. (Exhibit 2, page 2 in each appeal).

On cross examination, Mr. Marx stated that bonus value is equivalent to the possessory leasehold interest which is what a willing buyer and willing seller would pay for those rights. Mr. Marx further stated that, in his opinion, economic rent is equivalent to market rent which is equivalent to Net Operating Income (NOI). Mr. Marx projected a stabilized NOI for the hotel property in 2025 of \$948,119 but also projected a first year NOI for the property of \$434,587. (Exhibit 2, page 69). On cross, Mr. Marx stated that in accordance with the provisions of the lease, the contract rent would be \$540,000 per year for the hotel parcel.

5. Value. The TVM of each of the subject properties as of January 1, 2022 was \$0.

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).

2. Bonus method of valuing leasehold interests.

Leasehold interests are to be valued using the bonus value method. *Frontier Airlines, Inc. v. State Tax Commission*, 528 S.W.2d 943 (Mo. banc 1975). The bonus value is the difference between the economic (or market) rental and the contract rental specified in the lease. *Land Clearance for Redevelopment Authority of Kansas City v. W.F. Coen & Co.*, 773 S.E.2d 465, 471.

The value of the leasehold should be determined from the testimony of qualified expert witnesses as that value which a buyer under no compulsion to purchase the tenancy would pay to a seller under no compulsion to sell, taking into consideration the period of the lease yet to run, including the unexercised right of renewal, the favorable and unfavorable factors of the leasehold estate, the location, type and construction of the building, the business of the tenant, comparable properties in similar neighborhoods, present market conditions and future market trends, and all other material factors that would enter into the determination of the reasonable market value of the property. The bonus value, sometimes referred to as the leasehold savings or profit, is the difference between the economic rental and the contract rental. The economic rental is the actual market value of the use and occupancy. *Land Clearance for Redevelopment Corp. v. Doernhoefer*, 389 S.W.2d 780 (Mo. 1965), at 784.

In *Cox v. Grady Hotel Investments, LLC*, 605 S.W.3d 575, the Western District Court of Appeals found that the terms of the documents involved in that particular transaction indicated that the lessee owned the improvements during the term of the lease, (even though the improvements reverted to the fee owner at the termination of the lease), therefore, it was not considered a leasehold interest but an ownership interest and not subject to the bonus value method. The lease in that case had begun in 2007, was extended in 2015 and required the Complainant to enter into a 20 year franchise agreement in 2015. The Complainant received a Quitclaim Deed to Improvements conveying the prior leaseholder's interest in the improvements on the property to

Complainant. The Court separated the “leasehold improvements” from the “leasehold” in its analysis finding that Grady owned the leasehold improvements even though such ownership flowed from the leasehold interest in the underlying real estate and terminated at the end of the lease. The Court was not clear on how a lessee transferring its interest in a leasehold property and the improvements thereon subject to reversion to the fee owner at termination of the lease, became a grantor of an interest that was more than a leasehold and how the grantee of the transfer became something other than a lessee.

3. Real Party in Interest

Rule 52.01 requires a civil action to be prosecuted in the name of the real party in interest. Mo. R. Civ. P. 52.01. Real parties in interest are those who are directly interested in a lawsuit’s subject matter. *Welch v. Davis*, 114 S.W.3d 285, 292 (Mo. App. W.D.2003). The purpose of the Rule is to enable those who are interested in the subject matter of the action and entitled to the benefits of the litigation to be those who maintain the action. *Twin Chimneys Homeowners Ass’n v. J.E. Jones Constr. Co.*, 168 S.W.3d 488, 495 (Mo. App. E.D.2005). A party has a continuing interest in a property if the party is directly affected by increased property value assessment even if not the legal owner. *Herky LLC v. Holman*, 277 S.W.3d 702, 704 (Mo. App. E.D.2008).

4. 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.*

5. 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).

6. Interpretation of lease agreement.

The interpretation of a lease agreement is a question of law, to which the general rules of contract construction apply. The cardinal rule of contract interpretation is to ascertain the parties' intention and to give effect to that intention. The intent of parties is to be based upon the terms of the contract alone and not on extrinsic

evidence unless the contract language is ambiguous. An ambiguity arises only if the terms are reasonably open to more than one meaning, or the meaning of the language is uncertain. Mere disagreement between the parties does not render contractual terms ambiguous. Rather, the test is whether the disputed language, in the context of the entire agreement, is reasonably susceptible to more than one construction when the words are given their plain and ordinary meaning.

Langdon v. United Restaurants, Inc., 105 S.W.3d 882, 887 (Mo. App. W.D. 2003)

7. Analysis.

Respondent moved to dismiss appeal 22-79138 as Complainant is not the owner or leaseholder of the property and was not the owner or leaseholder of the property on January 1, 2022, therefore, did not have standing to file and prosecute this appeal in accordance with Section 138.430.1 RSMo. As framed by the Courts, the issue is whether or not Complainant is a real party in interest as set out in Rule 52.01 as that section has been analyzed by the Courts with a good discussion of this in *Herky v. Holman*, 277 S.W.3d 702 and *Twin Chimneys Homeowners Ass'n v. J.E. Jones Constr. Co.*, 168 S.W.3d 488. From these cases it is clear that the party filing an appeal does not have to be the legal owner of the property, the party only has to be in a position to enjoy the benefits of a successful appeal. The reason to have a real party in interest as the party to litigation is to avoid a situation in which an unknown entity could file an appeal, do it poorly, and thereby foreclose out the interests of parties that are actually interested in the result of the litigation. In this matter, the entity that filed the appeal was Parkville Development 140, LLC, the Complainant. There is no dispute that the fee simple interest is owned by the City of Parkville and that Complainant was not the leaseholder. The tax statement for the property was sent to Complainant and listed Complainant as the owner. Exhibit M, the application for appeal before the Platte County BOE, sets out that the owner's reason for value review was, "Correcting legal ownership of property"; the classification was "Exemption", requesting a taxable value of \$0 and had filled in the DBA as Creekside Hotel. The appeal was filed under the name of Complainant,

Parkville Development 140, LLC, as shown on the tax statements. The lease between the original developers, of which Complainant is one, and the City of Parkville (Exhibit G) sets out the obligations of the lessees to include payment of taxes. The original developers assigned their interest in the lease to Creekside Hotel Partners, LLC in 2021, however, there is nothing in the record showing that the City of Parkville agreed to release the original lessees from their obligations under the lease. Considering the totality of the circumstances, that the tax statement was sent to Complainant, that Complainant noted on the BOE appeal form that the purpose was to Correct legal ownership, that Complainant listed Creekside Hotel as a DBA on the BOE appeal form, that the BOE proceeded with the appeal, and that Complainant was one of the original lessees and was never released from the obligations under the terms of the lease by the original Lessor, the Complainant was a real party in interest and had standing to file this appeal. Respondent's Motion to Dismiss is overruled.

The first issue to be decided is if the interest litigated is a leasehold requiring analysis under the Bonus valuation method or if the Assignment of Lease (Exhibit I) amounted to a sale of improvements as the Court discussed in *Cox v. Grady Hotel Investments, LLC*, 605 S.W.3d 575, (Mo. App. W.D. 2020). In *Cox v. Grady*, there was a series of underlying leases from 1974, with the current lease originally entered into in 2007 and modified in 2015, also in 2015 the taxpayer had entered into a 20 year franchise agreement for the hotel; the previous owner transferred a Quitclaim Deed to Improvements and the transfer agreements contained language in them purporting to transfer ownership of the improvements on the leased property. In the present case, the property was unimproved and vacant at the time of the transfer, the lease terms were clear that it was a leasehold and that it would terminate, at the latest, on December 15, 2026, for a maximum

term of 6 years. The facts in the present appeal are not analogous to those in *Cox v. Grady*, therefore, the analysis used by the Court does not apply and analysis under the Bonus Valuation Method is required.

Bonus Value.

Leasehold interests are to be valued using the bonus value method. *Frontier Airlines, Inc. v. State Tax Commission*, 528 S.W.2d 943 (Mo. banc 1975). The bonus value is the difference between the economic (or market) rental and the contract rental specified in the lease. *Land Clearance for Redevelopment Authority of Kansas City v. W.F. Coen & Co.*, 773 S.E.2d 465, 471. The economic rental is the actual market value of the use and occupancy. *Land Clearance for Redevelopment Corp. v. Doernhoefer*, 389 S.W.2d 780 (Mo. 1965), at 784.

To determine whether or not there is Bonus Value as defined, the value of the market or economic rent, and the value of the contract rent must be determined so that the equation, economic rent – contract rent = bonus value can be completed.

Market/Economic rent.

Respondent's appraiser, Mr. Marx, stated in his testimony that bonus value is equivalent to the possessory leasehold interest which is what a willing buyer and willing seller would pay for those rights. This appears to be a definition of market/economic rent and not the definition of bonus value as it completely ignores the contract rent portion of the equation. Mr. Marz stated that he did not complete a bonus value analysis of the vacant tract as the underlying transaction is simply a financing mechanism.

Complainant's appraiser, Mr. Pryor, opined that there is no economic or market rent for the hotel parcel as there is no interest in leasing a partially completed hotel for \$540,000 the first

year and then \$9,540,000 the second year to take it out of the Chapter 100 program. (Exhibit LL, WDT page 4). Mr. Pryor could not find any vacant land leases where the parcel is begin held for future development, so could not find an economic or market rent for the vacant parcel. Mr. Pryor stated that market participants are not going to be willing to pay \$21,000 per year to lease a vacant 1.8 acre tract until 2026 and then pay \$371,000 in rent to take it out of the Chapter 100 program when that person could go out and purchase a fee simple interest for essentially the same cost. (Exhibit LL, WDT page 7).

Mr. Marx, testified that economic rent, market rent and net operating income (NOI) are all equivalent terms. Mr. Marx determined that the projected first year NOI of the hotel would be \$434,587 and that eventually, there would be a stabilized NOI for the hotel of \$948,119. (Exhibit 2, pages 68-69).

Mr. Marx testified that as to the vacant land in appeal 22-79139, it is zoned commercial and ready for development but was not developed on January 1, 2022. It consists of 1.8 acres or 78,408 square feet. There is no reference to bonus value method, economic rent or contract rent in the appraisal report of the vacant land. The report estimates market rent for the property once it is developed for the retail market at \$16.50 per square foot. (22-79139 Exhibit 2, page 31).

Contract Rent.

There was testimony from four different witnesses regarding the amount of the contract rent; the two attorneys who were both very well versed in municipal bonds, Mr. McConnell and Ms. Spies; and the two appraisers, Mr. Pryor and Mr. Marx. The appraisers concentrated on the interest payments due under the terms of the lease to arrive at the contract rent. Mr. Pryor opined that the contract rent for the hotel parcel was \$540,000 per year and the contract rent for the vacant land was \$21,000 in 2022 (WDT page 6). Mr. Marx, on cross examination, stated that the contract

rent for the hotel parcel was \$540,000 per year after the initial year and did not give a figure for contract rent for the vacant parcel. Both attorneys stated that after reviewing Section 5 of the lease (Exhibit G) the contract rent for the hotel parcel is \$9,000,000 plus the applicable interest shown on Exhibit DD; and the contract rent for the vacant parcel is as set out on Exhibit EE \$1,262,366.50 plus interest. The lease provides that the lessees must pay rent to the City of Parkville in an amount equal to the sum the City is required to pay in interest and bond principal to the holders of the Commercial Chapter 100 bonds and all costs associated with the issuance of the bonds. (Exhibit G, Article V, Rent Provisions). There is no ambiguity in the language used in Article V of the lease, the rents are the principal and interest that the City is required to pay plus all the costs and fees associated with the issuance of the bonds. Mr. Marx contends that this should be ignored as the transaction is just a matter of financing and is not a real lease. The terms of the lease are clear and unambiguous, and the intentions of the parties are clear and unambiguous, therefore, must be given effect. Stating that the same transaction could be structured differently does not change the intention of the parties or the language of the documents. As Ms. Spies testified, finding that ad valorem real estate taxes may be assessed to properties that are leaseholds under a Chapter 100 plan would frustrate the purpose of the Chapter 100 program. While policy issues are beyond the scope of the State Tax Commission's authority to decide, deference should be given to the intention of the legislature in creating Chapter 100 economic incentive bonds.

Mr. Marx determined the TVM of the hotel parcel to be \$5,300,000 and the TVM of the vacant parcel to be \$800,000 stating that this is the current value of the future income stream. That very well could be the value of the leasehold interest. Both appraisers opined that the value of the leasehold interest in these matters is equivalent to the value of the fee simple interest. It is undisputed that the fee simple interest is exempt from ad valorem taxation as it is owned by the

City of Parkville. The question before the Commission is not what the TVM of the leasehold interest is, but what the Bonus Value of the Leasehold is. To arrive at the Bonus Value, both the economic rent and the contract rent must be quantified then the contract rent must be subtracted from the economic rent. The contract rent is clearly set out in the Lease Agreement. (Exhibit G, Article V), therefore the only issue is the value of the economic rent, which would have to be in excess of \$9,000,000 plus the accrued interest on the hotel parcel.

Assuming, for argument's sake, that Mr. Marx's methods and interpretation are accurate, it still must be determined whether or not there was bonus value as the Courts have defined it, economic rent – contract rent = bonus value. The first year of operation of the hotel would begin in 2022 as it was, at best 50% completed on January 1, 2022. For there to be bonus value the first year NOI (\$434,587) would have to exceed the contract rent that Mr. Marx identified of \$540,000. It does not. There is no bonus value for the hotel parcel.

Mr. Marx, in his report, opined that the vacant parcel, once developed would lease for \$16.50 per square foot. There is no dispute that the parcel was not developed as of January 1, 2022. The only evidence before the STC for market or economic rent of the vacant parcel is the testimony of Mr. Pryor who stated that there would not be a willing lessee who would pay more than the contract rent for the vacant parcel. There is no bonus value for the vacant parcel.

CONCLUSION AND ORDER

The BOE decision is Set Aside. The TVM of the subject properties, as of January 1, 2022 was \$0.

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 Platte County, 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 January 5, 2026.

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 January 9th, 2026, 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