REPRESENTATIVES FOR PETITIONER:	Paul M. Jones, Jr. and Brigham Michaud, Jones Pyatt Law, LLC
REPRESENTATIVES FOR RESPONDENT:	Brian A. Cusimano and Zachary D. Price, Attorneys at Law

BEFORE THE INDIANA BOARD OF TAX REVIEW

HCW EVANSVILLE HOTEL, LLC, Petitioner, v. VANDERBURGH COUNTY ASSESSOR, Respondent.	Petition Nos.: 82-029-18-1-4-00213-22 82-029-19-1-4-00214-22 82-029-20-1-4-00215-22 82-029-21-1-4-00080-24 82-029-22-1-4-00081-24 82-029-23-1-4-00082-24 Parcel No.: 82-06-30-020-107.001-029 Assessment Years: 2018-2023

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. HCW Evansville Hotel, LLC ("HCW") contested the 2018-2023 assessments of its hotel property in downtown Evansville (the "Hotel"). The parties offered competing valuation opinions from their respective appraisers: Larry Allen for HCW and David Hall[1] for the Vanderburgh County Assessor. Prior to deductions for personal property and intangibles, both appraisers reached similar, credible valuations under the income capitalization approach, which we find to be the most pertinent of the three approaches. After weighing

[1] Although an additional appraiser, Michael Lady, also signed the appraisals, Hall was the only one who testified. For simplicity, we will refer to them as Hall's appraisals.

the evidence, we find Hall's appraisals provide the most persuasive evidence of the Hotel's true tax value for all six years. Overall, his explanations, data, and methodology, particularly in excluding personal property and intangibles, proved by a preponderance of the evidence that his valuations equal true tax value. Accordingly, we order the assessments changed to reflect Hall's value conclusions.

PROCEDURAL HISTORY

2. HCW filed Form 130 notices contesting the 2018-2023 assessments. The Vanderburgh County Property Tax Assessment Board of Appeals ("PTABOA") held hearings on the 2018, 2019, and 2020 appeals on February 9, 2022, after which it issued final determinations for those years on February 11, 2022. The PTABOA did not hold hearings on the 2021, 2022, or 2023 appeals, and HCW filed directly with us. *See* Ind. Code § 6-1.1-15-1.2(k) (permitting taxpayers to appeal directly to us if a county board fails to hold a hearing or issue a determination within 180 days of the filing of the appeal). The following table lists the relevant Form 130 filing dates and the assessed values under appeal for each year:

Year	Form 130	Land	Improvements	Total
2018	10/18/2018	$541,000	$15,829,100	$16,370,100
2019	6/7/2019	$541,000	$15,846,100	$16,387,100
2020	6/10/2020	$541,000	$14,226,700	$14,767,700
2021	6/10/2021	$541,000	$14,302,400	$14,843,400
2022	6/15/2022	$541,000	$15,443,800	$15,984,800
2023	6/12/2023	$541,000	$14,880,200	$15,421,200

The Hotel's 2017 assessed value was $15,186,800. *Tr. at 15-16; Resp't Exs. A-A, A-B.*

3. HCW filed Form 131 petitions with the Board for the 2018, 2019, and 2020 assessments on March 7, 2022. And it filed Form 131 petitions for the 2021, 2022, and 2023

assessments on January 30, 2024. Beginning on August 4, 2025, our designated Administrative Law Judge, David Smith ("ALJ"), held a four-day, in-person hearing on the petitions. Neither he nor the Board inspected the Hotel.

4. Appraisers Larry Allen, David Hall, and Daniel Lesser testified under oath.

5. HCW submitted the following exhibits:

Petitioner Ex. P-1:	2018-2024[2] Appraisal Report prepared by Larry Allen
Petitioner Ex. P-2:	Hotel valuation articles
Petitioner Ex. P-3:	Uniform Standards of Professional Appraisal Practice Standards 1-4, effective January 1, 2024
Petitioner Ex. P-4:	Excerpts from Appraisal of Real Estate, 15th Edition
Petitioner Ex. P-5:	HCW business tangible personal property tax returns 2018-2024 (CONFIDENTIAL)
Petitioner Ex. P-6:	County audit results for HCW's 1/1/2018 and 1/1/2019 business tangible personal property return (CONFIDENTIAL)
Petitioner Ex. P-7:	Allen's review of Hall's original appraisal of the Hotel dated April 1, 2021
Petitioner Ex. P-8:	Hall's original appraisal of the Hotel dated April 1, 2021
Petitioner Ex. P-9:	Hall's appraisal of 117 S. Franklin Road, Bloomington, IN
Petitioner Ex. P-10:	Lesser deposition transcript dated June 26, 2025
Petitioner Ex. P-11:	Information on Marriott Detroit Metro Hotel
Petitioner Ex. P-12:	Information on Double Tree by Hilton Hotel, South Bend
Petitioner Ex. P-13:	Information on Sonesta Milwaukee West Wauwatosa Hotel

6. The Assessor submitted the following exhibits:

Respondent Ex. A:	2018 Appraisal Report prepared by David Hall
Respondent Ex. B:	2019 Appraisal Report prepared by David Hall
Respondent Ex. C:	2020 Appraisal Report prepared by David Hall
Respondent Ex. D:	2021 Appraisal Report and 2022 and 2023 trending reports prepared by David Hall
Respondent Ex. E:	Hall Appraisal Addenda
Respondent Ex. F:	2018-2023 HCW Hotel financial statements (CONFIDENTIAL)
Respondent Ex. G:	Lesser's review of Allen's Appraisal of the Hotel
Respondent Ex. I:	Lesser's review of Allen's review of Hall's 2021 Appraisal
Respondent Ex. J:	Excerpts from Appraisal of Real Estate, 15th Edition

[2] Allen's 2024 Appraisal Report for the property was inadvertently included in the exhibit.

Respondent Ex. K: Excerpts from the Dictionary of Real Estate Appraisal
Respondent Ex. L: Powerpoint: The Rushmore Approach v. The Business Enterprise Approach
Respondent Ex. M: Stephen Rushmore article- "In the Defense of the "Rushmore Approach…""
Respondent Ex. N: Stephen Rushmore article- "Why the "Rushmore Approach" is a Better Method…""
Respondent Ex. O: Allen workfile documents
Respondent Ex. P: Hotel Parking Space License Agreement for the Hotel
Respondent Ex. Q: Franchise Agreement (CONFIDENTIAL)
Respondent Ex. R: Development Agreement
Respondent Ex. S: 50 Indiana Administrative Code § 4.2-4-7
Respondent Ex. T: HCW Evansville Hotel LLC project cost summary (CONFIDENTIAL)
Respondent Ex. U: Hotel Management Agreement for the Hotel (CONFIDENTIAL)
Respondent Ex. V: 2020-2021 Uniform Standards of Professional Appraisal Practice
Respondent Ex. W: Crowne Plaza Hotel Franchise Agreement (CONFIDENTIAL)
Respondent Ex. X: Homewood Suites by Hilton, Lafayette Franchise Agreement (CONFIDENTIAL)
Respondent Ex. Y: Springhill Suites by Marriott Franchise Agreement (CONFIDENTIAL)
Respondent Ex. Z: DoubleTree by Hilton Franchise Disclosure Document (CONFIDENTIAL)
Respondent Ex. A-A: 2017 Property Record Card for the Hotel
Respondent Ex. A-B: 2018 Property Record Card for the Hotel
Respondent Ex. A-D: STR Chain Scales-North America and Caribbean
Respondent Ex. A-E: April 2021 Robert Braun article on franchise hotels
Respondent Ex. A-F: Partial transcript from IBTR hearing for *Kinser Group II, LLC. V. Monroe County Assessor*
Respondent Ex. A-G: IBTR determination for *Kinser Group II, LLC v. Monroe County Assessor*, dated February 20, 2024
Respondent Ex. A-H: Hall email to Kate Womack dated June 16, 2020
Respondent Ex. A-I: 2017 KBKG new construction cost sheets for the Hotel (CONFIDENTIAL)
Respondent Ex. A-J: 2018 Depreciation and Amortization Report (CONFIDENTIAL)
Respondent Ex. A-K: Agreement for Professional Evaluation Services for Allen's review of Hall's appraisal
Respondent Ex. A-L: Michaud email to Allen authorizing Allen's oral review of Hall's 2024 Appraisal Report dated July 30, 2025 (CONFIDENTIAL)

7. The record also includes the following: (1) all pleadings, briefs, motions, and documents filed in these appeals; (2) all notices and orders issued by the Board or our ALJ; and (3) a transcript of the hearing.[3]

FINDINGS OF FACT

A. THE HOTEL

8. We make the following specific findings regarding the Hotel's structure, use, and classification, which are largely not in dispute.

9. The Hotel is located at 601 Walnut Street in Evansville, Indiana. It consists of a 165,472-square foot five-story hotel situated on 1.38 acres of land in an area zoned as C-3 Central Business District. The Hotel was built in 2017 following negotiations with the City of Evansville and sits adjacent to the downtown convention center. The Hotel is classified as a full-service, upscale hotel with 241 guest rooms averaging 687 square feet per room, and 11,943 square feet of conference/meeting area. The land upon which the Hotel was built was purchased for $10 from the City of Evansville on August 19, 2015. The City and the Hotel's owners executed an "Agreement Imposing Restrictive Covenants on the Real Estate" which requires that a franchised, full-service convention hotel be maintained on the property for 20+ years. The Hotel was subject to a DoubleTree franchise agreement with Hilton Franchise Holding LLC for all years under appeal. *Tr. at 53, 469, 494-495; Pet'r Ex. P-1 at 1, 25-27, 45, 48; Resp't Exs. A, B, C, and D at 2, 5-6, 32, 61, 75-80; A-D.*

10. The Hotel has an interior corridor design and is connected to the convention center by a skybridge. It is also adjacent to a parking garage in which it leases 268 spaces for guest use. In addition to its conference/meeting area, the Hotel also has a business center, a reception/lobby area, a bar, a restaurant, a coffee shop, an outdoor swimming pool, a whirlpool, a fitness area, a laundry room, vending areas, administrative offices, an

[3] The transcript is bound in four volumes, but the pages are numbered consecutively from 1 to 904. We will cite the transcript, without reference to the volume, using the following format: Tr. at (page number).

employee break room, a storage room, a loading dock, and a main kitchen. The Hotel's lobby has a mix of flooring including tile, carpet, and vinyl flooring; drywall and drop ceilings; wall-mounted sconces and recessed lighting fixtures; and a mix of vinyl wall coverings and painted trim. Guest rooms have a mix of vinyl wallpaper and painted drywall with ceramic tile flooring, in-room sinks, vanities, tile shower surrounds, and vinyl wall coverings. *Pet'r Ex. P-1 at 22, 25-43; Resp't Exs. A, B, C, D at 33, 75-80.*

B. THE THREE VALUATION APPROACHES

11. We find that the Hotel is an income-producing property and that market participants would place the most weight on the income-capitalization approach in valuing the Hotel. We find as a matter of fact that the income approach offers the most pertinent indication of value for the Hotel.

12. Prior to deductions for personal property and intangible business assets, both Allen and Hall reach very similar conclusions of value under the income approach. In varying years, each appraiser values the Hotel higher. We find this tight range of values illustrates a general consensus as to the appropriate approach to valuing the Hotel and confirms the reliability of both appraisers' initial valuations.

Year	Hall's Income Capitalization Approach Conclusions	Allen's Income Capitalization Approach Conclusions
2018	$23,000,000	$21,420,000
2019	$24,500,000	$24,160,000
2020	$24,500,000	$23,700,000
2021	$19,000,000	$20,910,000
2022	(trended)	$23,160,000
2023	(trended)	$23,420,000

Pet'r Ex. P-1 at 82, 114, 146, 178, 211, 244; Resp't Exs. A, B, and C at 195; Resp't Ex. D at 201.

13. The crux of this case depends on the credibility and reliability of the appraisers' choices in excluding personal property and intangible business assets. For this reason, we will not unnecessarily belabor our analysis regarding the other valuation approaches. We find as a matter of fact that the preponderance of the evidence comes down to the substantial evidence undergirding the appraisers' choices in excluding intangibles.

C. REMOVING INTANGIBLES FROM A HOTEL VALUATION

14. We find the following facts are generally not in dispute regarding the Hotel and its Franchise Flag.

15. A hotel is, by definition, a type of real estate, and it is bought and sold as real property. However, most hotels are also sold as an operating business. Thus, not only the land and building are sold, but also the room furnishings, fixtures, and equipment (personal property) and other business assets like contracts (intangibles). THE APPRAISAL OF REAL ESTATE 663-64 (15th ed. 2020).

16. Because of the nature of a hotel, an assessor cannot simply review a sales disclosure and determine a real estate value for a hotel like it might for an office building or factory. The non-real-property assets, i.e., personal property and intangibles, must be excluded. Identifying and excluding personal property is simple and uncontroversial.[4] The two techniques most commonly used to exclude intangibles are the Rushmore Method (also called the Management Fee Approach) and the Total Assets of Business (TAB) Method (also called the Parsing Income Method). *Id. at 675-677.*

17. The Rushmore Method dates to Stephen Rushmore's seminal 1978 work "The Valuation of Hotels and Motels." *See Ex. Resp't Ex. G (Journal of Property Tax Assessment and Administration Vol. 1, Issue 4).* It was followed by a quarter-century of debate between

[4] Some methods for excluding intangibles make a deduction of *income* for the contributory value of personal property in addition to the value of the personal property itself, which is a subject of debate. However, we find fault in Allen's failure to estimate a market-based deduction for personal property.

appraisers favoring more aggressive exclusions of business value through various TAB methods and appraisers that believed the Rushmore Method sufficed. *Id. (summarizing influential articles in this debate published from 1978 through 2003).*

18. We find that both the Rushmore Method and the TAB Method are generally accepted appraisal practices for removing intangible assets from a hotel valuation.

19. The debate at issue in the case at bar is the intangible value associated with the franchise fee for a "flag" of a major hotel chain. These contracts provide the hotel with name recognition, marketing, and customer rewards programs. To obtain and retain a Franchise Flag, the hotel pays an annual fee and commits to certain standards of accommodations and services, which may require expensive refurbishments, upgrades, services, and staffing levels. A hotel owner does not own the Franchise Flag trademark rights and cannot sell the Franchise Flag when it sells the hotel. The purchaser will be required to enter into a new franchise agreement for the Franchise Flag or find another. *Tr. at 109, 179, 327-328; Pet'r Ex. P-2 at 2; Resp't Ex. Q.*

20. Turning to the facts in dispute, we make the following factual findings.

21. We find as a matter of fact, based on the record in this matter, that there is no consensus among appraisal experts that a franchise agreement necessarily contributes an intangible value to a hotel that exceeds the franchise fee. Two articles included by HCW in support of Allen's valuation suggest that the intangible value of a franchise is variable, and an underperforming Franchise Flag may reduce a hotel's value.

22. The first article, John O'Neill's "The Role of Brand Affiliation in Hotel Market Value," from the August 2006 issue of the *Cornell Hotel and Restaurant Administration Quarterly*, stated that "midscale and upscale brands significantly affect market values, but that is not true of brands in economy or luxury segments." *Ex. P-2 at 18.* Examining brands within the "upscale segment," their research indicated that the mean per-room sale

price for Westin and Hyatt were substantially higher, almost double the lower performing Sheraton and DoubleTree brands. *Id. at 15*. The article described the two lower performing brands as "underperforming." We find as a matter of fact that the intangible value of a franchise flag may vary significantly depending on the hotel segment and the particular brand's performance. The article also noted the relevance of "the interaction between brand cost and hotel value," and the possibility that accumulated costs could exceed the value added by the brand. *Id. at 20*. We find that in addition to brand and segment, the cost of the franchise is relevant to the intangible value of the franchise flag.

23. The amorphous nature of the intangible value of a Franchise Flag is also noted in the second article, O'Neill and Eric Belfrage's "A Strategy for Estimating Identified Intangible Asset Value," found in the Winter 2005 issue of *The Appraisal Journal*. The authors identify an intangible value from a franchise only if the revenue per available room (RevPAR) for that particular hotel is in "excess of RevPAR over the natural market share." *Ex. P-2 at 2*. This was illustrated in a review of the sources of bookings for two hotels, one of which benefitted from the flag and the other did not. The authors wrote: "The difference [for Hotel B] is due in part to its location across the street from a convention center and heavy reliance on direct group sales . . . ." *Id.* "These rooms are not directly attributable to the [franchise] affiliation," they added. *Id.* They summarized:

> In other words, the guests are staying at Hotel B in large part because of its location relative to the convention center. This factor is not related to any of the components of intangible assets . . . and should therefore be attributed to real estate.

Id. The owners of Hotel B were dissatisfied with their Franchise Flag and were considering switching or foregoing a franchise entirely. *Id.* Based on this record, we find as a matter of fact, that the intangible value of a franchise may be zero or even a negative if it underperforms. We find this study particularly compelling because the subject property, the Hotel, is a convention center hotel, and therefore likely less reliant on a franchise flag than non-convention hotels.

24. Allen's own testimony was consistent with these articles. "There are certain benefits and costs of having a franchise. And when the benefits exceed the costs then there's contributory value to the franchise," Allen stated. *Tr. at 117.*

25. Allen also relies on the Drury Inn study. From what we can ascertain, it only indicated that flagged hotels have greater revenue than non-flagged hotels. *Ex. P-1 at 98.* The 2012 article from *The Appraisal Journal* indicated that hotels will decline in revenue when they lose their franchise flags. *Id.* Neither of these offers insight regarding how to calculate when an additional deduction for intangibles beyond the franchise fee is necessary.

26. HCW references the finding by our colleagues in Minnesota, who held, "When valuing hotels, appraisers do not ask whether intangibles exist, but rather how intangibles should be measured." *Pet'r's Reply Br. at 12 (citing JPMC 2018-Minn SSs Tra, LLC v. Cnty. of Hennepin, 2025 Minn. Tax LEXIS 46 *18 (Minn. Tax Ct. Oct. 17, 2025)).* While this is an oversimplification, it is true as a practical matter. The Rushmore Method and the TAB Method are both strategies to exclude the intangible value from the franchise affiliation. The dispute is not whether the Rushmore Method ignores intangibles, but whether the strategy is sufficient to remove them.

27. The Rushmore Method removes the intangible value by deducting the franchise fee. Allen admitted that "brand affiliation doesn't always create a value greater than the cost of the franchise fees." *Tr. at 115.* Thus, Allen concedes that, in at least some circumstances, the Rushmore Method is sufficient to remove intangibles. Allen's concern, as stated in HCW's brief is that "relying solely on franchise fees is not always an accurate way to estimate that value, since fees may not fully capture the economic benefits of stronger brands." *Pet'r's Br. at 37.*

28. We find the Rushmore Method makes two presumptions: (1) there are intangibles associated with a Franchise Flag in any given hotel and (2) the deduction of a franchise

fee and management fee is sufficient to exclude it. The Rushmore Method, more or less, concedes the difficulty in ascertaining the value of the Franchise Fee with any more particularity. However, we also find that the Rushmore Method may be insufficient when there is evidence that the value of a Franchise Flag exceeds the costs associated with the franchise (fees, upgrades, etc.).

29. We agree with Allen, as restated in HCW's brief, that "the intangible must be specifically identifiable, legally protected, transferable, and evidenced by tangible documentation, with a definable creation and termination event." *Pet'r's Br. at 34 (citing Ex. P-1 at 95-97; Tr. 107-108)*. However, we find, as a matter of fact, Allen's TAB Method has failed to credibly identify and document the intangible value of a typical franchise agreement for the Hotel, for the following reasons.

30. First, we find Allen's analysis is too specific to the Hotel's performance under DoubleTree, the actual Franchise Flag. As noted in the "Role of Brand" article, some franchises overperform and others underperform. Without a market-derived baseline for expected franchise performance, we find Allen erred on valuing the Hotel as a Doubletree rather than as a nonspecific, flagged franchise consistent with its location, amenities, and services. Allen did not persuasively establish what the "natural market share" should be, in conformity with the "Strategy for Estimating" article. *Ex. P-2*. We find this detracts from the reliability of Allen's TAB deductions.

31. Second, based again on the "Strategy for Estimating" article, we find Allen did not appropriately consider the necessity and performance anticipated for the Franchise Flag specific to a convention hotel. *Ex. P-2*. Allen did not answer the question of how much demand came from the Franchise Flag and how much came from the real estate demand for a convention center location. Additionally, we find Allen's failure to reconsider his presumptions in light of the construction of a second major hotel, the Hyatt Place. The demand for a second hotel close to the convention center refutes several of Allen's presumptions regarding feasibility and the Hotel's reliance on a Franchise Flag. We find

these factors substantially weaken the credibility and reliability of his TAB methodology. *Resp't Ex. A at 29; Pet'r Ex. P-1 at 56.*

32. Third, we reject Allen's general theory of his appraisal. Allen's overall premise is that, due to lack of demand, the Hotel could not have been built without huge subsidies, and it would struggle without a strong brand affiliation. This dire analysis is in conflict with the construction of the Hyatt Place, a major competing hotel constructed during the years on appeal, indicating significant demand for a hotel near the convention center. We find that the Hotel's physical location, amenities, services, and access to the convention center make it **less reliant** on a Franchise Flag than the hotels identified by Allen as its competitive set. Allen has not persuaded us that the Hotel would lose 30% of its value in the absence of the franchise flag. In the final analysis, Allen has failed to meet the burden of persuasion that the intangibles of the Franchise Flag for the Hotel create a value greater than the cost of the franchise fee. *Tr. at 336; Pet'r Ex. P-1 at 100-101. Resp't Ex. A at 29; Pet'r Ex. P-1 at 56.*

33. Fourth, we find, as a matter of fact under our discretion to consider the demeanor and character of witnesses, Allen's attempt to offer a review appraisal of Hall's work reflected negatively on his independence and credibility. The purpose of a review appraiser is to offer a neutral and unbiased opinion regarding another appraiser's work product. As an expert witness at a contested hearing, Allen could not offer an open-minded opinion of Hall's work. We find this evidences a more close-minded ideological attachment to his TAB Method. In contrast, we find that Hall's diverse clientele of both county officials and hotel owners in appraising hotels reflects a higher degree credibility, reliability, and professionalism.

34. Based on the evidence before us, we find, as a matter of fact, by a preponderance of the evidence that the Rushmore Method was sufficient to exclude the Hotel's intangibles related to the Franchise Flag.

35. The only other deduction for intangibles was Allen's deduction for assembled workforce, which ranged from $180,000-$350,000 during the years at issue. *Tr. at 129-135, 144-148; Pet'r Ex. P-1 at 101, 127, 165, 198, 231, 263.* The necessity of such a deduction remains a debated premise in appraisal practice, as the Rushmore Method holds that the deduction of a management fee is sufficient for business intangibles like an assembled workforce. On the whole, we find this a *de minimis* dispute. Overall, we find Hall more credible than Allen on the issue of intangibles. Hall, in accordance with accepted appraisal practice and Indiana's standard of true tax value, has excluded any intangibles related to the assembled workface in his management fee under the Rushmore Method.

36. For the reasons considered in more detail below, we find Hall's appraisals the most credible and reliable valuations of the Hotel.

D. APPRAISALS

1. Allen's Appraisals

37. HCW offered appraisals from Laurence Allen. Allen has a Bachelor of Arts degree from Linfield College and an MBA from the University of Michigan. He is President and Chief Appraiser at Allen & Associates Appraisal Group, Inc., which he founded in 1991. Allen previously served as National Director of Appraisal and Valuation Services at BDO Seidman and as President of Dean Appraisal Company. He is a Certified General Real Estate Appraiser in Indiana and eight other states. Allen has been a real estate appraiser for over 40 years and holds the MAI and AI-GRS designations through the Appraisal Institute. Allen's experience includes the valuation of hotels, regional malls and anchor stores, and big box stores. Allen has appraised over 100 hotels during his career, including hotel properties in Indiana, Michigan, Wisconsin, Arizona, and Florida. He has published several articles including some on the topic of hotel valuation and has taught and presented at seminars on the topics of valuation and real estate appraisal practice. *Tr. at 30-34; Pet'r. Ex P-1 at Add.*.

38. Allen was offered as an expert in hotel valuation to which the Assessor did not object. We find that Allen's experience and training qualify him as an expert in hotel valuation. *Tr. at 34-35.*

39. Allen performed both interior and exterior inspections of the Hotel. He developed an opinion of the retrospective market value-in-use of the total business assets associated with the Hotel (its value as a going concern) for each of the six years on appeal using the sales comparison and the income capitalization approaches. He then adjusted his valuations by removing value attributable to the tangible personal property, the franchise agreement, and the assembled workforce to reach a retrospective market value-in-use for the Hotel's real property as of January 1 for each of the six years on appeal. *Tr. at 36, 38-40; Pet'r Ex. P-1 at 6-10.*

40. Allen did not complete the cost approach for any of the years on appeal because he concluded that it did not provide a reliable indication of value for the Hotel. Given that the total development cost for the Hotel was approximately [redacted] excluding land), Allen did not think it was financially feasible to build the Hotel without the significant subsidies that the Hotel's owners received to construct it. The City of Evansville agreed to reimburse [redacted] of the owners' construction costs, sold the land to the developer for [redacted] and provided access to a city-owned parking structure with favorable lease terms to encourage development. Given the substantial external obsolescence Allen thought those circumstances created and the fact that no buyer or seller would rely on the cost approach as a measure of value, he did not consider it to be a relevant or reliable valuation approach. *Tr. at 64-77, 91-92, 186-189; Pet'r Ex. P-1 at 92-94, 124-126; 156-158; 189-191; 222-224; 254-256.*

41. Allen certified that he prepared his Appraisal Reports in conformity with the requirement of the Code of Professional Ethics and Standards of Professional Conduct of the Appraisal Institute. And although Allen acknowledged that his Appraisal Reports do not contain a statement confirming that they comply with the Uniform Standards of

Professional Appraisal Practice ("USPAP"), he testified that they do in fact comply with USPAP. *Tr. at 36, 38-45; Pet'r Ex. P-1 at Transmittal Letter, 9, 13, 92-94.*

a. Allen's Market Overview

42. Allen began his market review by examining the Hotel's neighborhood, area, and population characteristics. The Hotel is located in the downtown business district within the Evansville MSA. Allen noted that the City of Evansville serves many surrounding counties in both Indiana and Kentucky and is supported by many large employers. The population in the Evansville MSA grew by 0.8% per annum from 2010-2023, and the area had positive growth in households, household income, and overall economic growth during that time. Allen concluded that the Hotel's immediate neighborhood was in the process of revitalizing due to the growing population and expanding business development. *Tr. at 52-53; Pet'r Ex. P-1 at 15-19.*

43. The Hotel was operated as a DoubleTree under a franchise agreement with Hilton Franchise Holding, and it was designed and furnished consistent with the DoubleTree brand. Allen determined that the condition of the Hotel's furniture, fixtures, and equipment ("FF&E") gradually changed from good to average and then to below average over the successive dates of value. The Hotel's ownership advised Allen that its competition in the market includes the Courtyard Evansville, Hilton Garden Inn, Hampton Inn Evansville Airport, Le Merigot Hotel, and Residence Inn Evansville. These five facilities provide 524 available rooms to the area and generated an Average Daily Rate ("ADR") per room of between $103.01 and $125.66 from 2018-2023. Allen also noted that a Hyatt Place opened in the market during 2023, but the Hotel's ownership informed him that they did not consider it to be a competitor. Allen determined that apart from the five competitive hotels identified by the Hotel's ownership, there were no other facilities that were competitive with the Hotel. *Tr. at 56-57; Pet'r Ex. P-1 at 44-56.*

44. Allen also examined hotel room supply and demand in the Evansville MSA. Allen found that demand was divided between three categories: Leisure (consisting of tourists and

visitors) (62.4%), Commercial (consisting primarily of business travelers) (34.6%), and Group (consisting largely of meeting attendees) (3.0%). The Hotel showed the greatest market penetration in Group and Commercial business with less Leisure-driven business. Allen determined that the Hotel's stabilized occupancy was 62.0% for the entire period spanning 2018-2023, and that it had a stabilized ADR ranging from $130.00 to $140.00 over the same period. He also noted that the Hotel opened in 2017 and that it would normally take around two years to reach stabilized occupancy. Allen considered the Hotel's physical possibility, legal permissibility, financial feasibility, and maximal productivity as improved, and he determined that its highest and best use was as a hotel with a bar/restaurant and conference center. *Tr. at 58-60; Pet'r Ex. P-1 at 56-64.*

b. Allen's 2018 Appraisal

i. Income Capitalization Approach

45. Allen employed the direct capitalization method of the income capitalization approach for his valuation study. He gathered revenue and expense data from the *HOST Report*, three other comparable hotels, and the Hotel's 2017 historical performance. Allen concluded that the data from these sources provided a reliable value for the Hotel's net operating income ("NOI"). He observed that the Hotel had a non-stabilized occupancy rate of [redacted] in its opening year of 2018 and chose a stabilized occupancy rate of [redacted] and an ADR of $130.00 to estimate gross income of [redacted] for the 241 rooms. Allen also calculated revenue from food and beverage sales at [redacted] per occupied room ("OR") and other income at [redacted] resulting in income estimates of [redacted] and [redacted] respectively. Added together, his revenue estimates produced total gross operating revenue of [redacted] *Tr. at 78-81, 88; Pet'r Ex. P-1 at 60, 66-72, 78.*

46. Allen then estimated the following expenses using data from three comparable hotel properties, the Hotel's 2017 historical performance, and the *HOST Report*:

Expense Type	Projected Annual Expense
Rooms	$1,417,996
Food & Beverage	$1,221,658
Telecommunications	$109,077
Other Expenses	$496,299
Admin. & General	$723,000
Marketing	$964,000
Franchise Fee	$354,499
Property Oper. & Maint.	$337,400
Energy	$354,499
Insurance	$96,400
Management Fee	$328,321
Replacement Reserve	$375,224

Allen based his projected replacement reserve of 4.00% of revenues on a study from Korpacz/PwC. His estimated expenses were intended to reflect the achievable and consistent rates of a hotel operating under the DoubleTree flag. Deducting the expense estimates from the projected income produced a stabilized NOI of $2,602,217. *Tr. at 82-85; Pet'r Ex. P-1 at 69-78.*

47. Allen then conducted an overall capitalization analysis using market-derived rates, the band-of-investment method, and surveys from RealtyRates.com and the *PwC Real Estate Investor Survey*. Market-extracted rates ranged from 8.20-10.39% for sales from January 2016 to September of 2018 with an average of 9.41%. Allen used the band-of-investment technique to calculate an overall rate using first Quarter 2018 data from RealtyRates.com for Lodging Facilities-Full Service. The data showed a range of 5.39-15.11%, with an average of 9.43% for the first quarter of 2018. He then consulted survey data from the *PwC Real Estate Investor Survey* that returned a range of 6.00-10.00% and had an average of 7.73%. Given those results, Allen concluded to an overall capitalization rate of 9.00%. He then calculated a tax cap load of 2.9636% by reducing the Hotel's 2018 overall tax rate of 3.952% by 25% to adjust for the contribution of non-taxable intangible

personal property. Allen based the reduction on his presumption that 25% of the total business assets are intangible property. This resulted in a final loaded capitalization rate of 11.96%. *Tr. at 85-87, 250-251; Pet'r Ex. P-1 at 79-81.*

48. Allen divided the Hotel's stabilized NOI of $2,602,217 by the loaded capitalization rate of 11.96% to arrive at a stabilized market value of $21,751,073.[5] Because Allen did not think that the Hotel's income was fully stabilized in 2018, he then subtracted a stabilization cost of $331,958, representing the difference between the Hotel's actual NOI (without property taxes) and his estimate of its stabilized NOI. Deducting the stabilization cost produced an indicated market value-in-use for the total business assets of $21,420,000 (rounded) as of January 1, 2018. *Tr. at 87-90; Pet'r Ex. P-1 at 80-82.*

ii. Allen's Sales Comparison Approach

49. Allen qualified his use of the sales comparison approach by noting that it does not usually serve as a primary indicator of value for income producing properties like the Hotel. It will, however, measure the reasonableness of the value indicated by an income approach. He also noted that finding comparable properties from which to perform a sales comparison approach is more difficult with hotels. Allen searched for hotels with more than 100 rooms that sold between 2015 and 2018 and ultimately selected the following four hotel sales:

- Sale 1 (Ann Arbor, MI) – a 69,145 SF full-service Holiday Inn built in 2004 and renovated in 2016 with 107 rooms situated on a 1.29-acre site. It sold for an effective sale price of $13,500,000 ($126,168/room) in February 2016. The property had an estimated Revenue Per Available Room ("RevPAR") of $94.43, an ADR of $133.00, and an average room size of 646 SF. It has 1,400 SF of meeting space, a pool, a bar, a restaurant, a fitness center, a business center, and a convenience store.
- Sale 2 (Romulus, MI) – a 140,390 SF full-service Marriott Detroit Metro Airport built in 1990 and renovated in 2005 with 249 rooms situated on a 5.96-acre site. It sold for an effective sale price of $23,000,000 ($92,369/room) in September

[5] Allen stated that the original $21,419,115 valuation resulted from a mathematical error, which he corrected during his testimony to $21,751,073. *Tr. at 87.*

2016. The property had an estimated RevPAR of $87.72, an ADR of $129.00, and an average room size of 564 SF. It has 9,840 SF of meeting space, a bar, a restaurant, a fitness center, a business center, and a sundry store.

- Sale 3 (Lima, OH) – a 73,949 SF full-service Holiday Inn built in 2009 with 116 rooms situated on a 3.01-acre site. It sold for an effective sale price of $11,000,000 ($94,828/room) in June 2016. The property had an estimated RevPAR of $80.03, an ADR of $103.00, and an average room size of 637 SF. It has 2,100 SF of meeting space, a bar/restaurant, a pool, a fitness center, a guest laundry, and business services.
- Sale 4 (Columbus, OH) – a 176,643 SF full-service Sheraton Suites built in 1990 and renovated in 2007 with 259 rooms situated on a 4.18-acre site. It sold for an effective sale price of $11,500,000 ($44,402/room) in May 2017. The property had an estimated RevPAR of $69.69, an ADR of $101.00, and an average room size of 682 SF. It has 2,620 SF of meeting space, a bar/restaurant, an indoor/outdoor pool, a fitness center, a business center, and a convenience store.

Tr. at 93-95; Pet'r Ex. P-1 at 83-88.

50. Allen reviewed the sales for necessary adjustments in the following categories: property rights transferred, financing terms, conditions of sale, market conditions, RevPAR, age/condition, and hotel classification. Allen clarified that he viewed the RevPAR adjustment as incorporating adjustments for differences between the comparables and the Hotel in terms of location, market conditions, and physical characteristics. He determined that no adjustments were necessary for property rights transferred, financing terms, conditions of sale, market conditions, or hotel classification. Allen made negative RevPAR adjustments to Comparables 1 and 2 and positive RevPAR adjustments to Comparables 3 and 4. He then made positive adjustments for age/condition to all four comparables to account for the decreased efficiency of older buildings. *Tr. at 96-100; Pet'r Ex. P-1 at 89-90.*

51. Allen determined that Comparable 2 was the most similar to the Hotel due to its size, orientation, brand amenities, and meeting space. Based on the comparables' adjusted values he derived a minimum indicated room price of $56,488 and a maximum of $113,074, with an average of $90,800. Allen concluded to a price per room for the Hotel of $92,000, which when multiplied by its 241 rooms produced a retrospective market

value-in-use of $22,170,000 (rounded). He also used a Room Revenue Multiplier Analysis to develop a multiplier for each comparable by dividing the sale price by the revenue figure. Allen determined the multiplier was 3.00, which he multiplied by his room revenue estimate of $7,089,979 to arrive at a gross revenue multiplier ("GRM") value of $21,270,000 (rounded). He reconciled those two values to $21,540,000 (rounded), stabilized it by removing the same $331,958 used in his income approach, and concluded to an indicated market value-in-use for the total business assets of $21,210,000 (rounded) as of January 1, 2018. *Tr. at 100-103; Pet'r Ex. P-1 at 90-91.*

iii. Preliminary Reconciliation

52. Although Allen considered both of his valuation approaches to be applicable to this type of property, his income approach served as his primary indicator of the Hotel's market value-in-use, with the sales comparison approach providing secondary support. He reconciled the concluded values from his income approach ($21,420,000) and sales comparison approach ($21,210,000) to a retrospective market value-in-use of $21,380,000 for January 1, 2018. He clarified that his reconciled value represented the total value of all business assets before removal of value attributable to the Hotel's tangible personal property, franchise agreement, and assembled workforce. *Tr. at 103-105; Pet'r Ex. P-1 at 95.*

iv. Allocation of Total Business Assets and Final Real Property Value

53. Having established the total value of the Hotel's real estate and business assets, Allen applied what HCW referred to as the Total Assets of the Business ("TAB") method to complete his appraisal. Allen explained that TAB, which he asserted is recognized by the Appraisal Institute and USPAP, requires the removal of the contributory value of tangible personal property and intangible assets from the going concern value. He believes that hotels are typically sold as going concerns with the seller's franchise agreement and current employees remaining in place after the sale. Allen explained that an intangible asset must be specifically identifiable, legally protected, transferable, and evidenced by

tangible documentation, with a definable creation and termination event. Allen identified three categories that need to be removed to isolate the value of the real estate: tangible personal property, value created by the franchise agreement above that of the real property due to the national reservation system and the reputation of the brand, and the value of the assembled workforce. *Tr. at 105, 107-108; Pet'r Ex. P-1 at 95-97.*

54. Allen based his allocation of the Hotel's tangible personal property solely on HCW's Business Tangible Personal Property Returns for the January 1, 2018 assessment date. After removing exempt property, HCW reported that the total cost of its tangible depreciable personal property was [redacted] and calculated its true tax value to be [redacted] (40% of its adjusted cost). After rounding, HCW reported that the final assessed value of the Hotel's tangible personal property was [redacted] and Allen adopted that value for use in his tangible personal property allocation. *Tr. at 105-107; Pet'r Ex. P-1 at 96; Pet'r Ex. 5.*

55. Allen used the income capitalization approach to calculate the contributory value of the Hotel's franchise agreement by comparing the indicated market value he developed for the Hotel as a branded DoubleTree hotel with the indicated market value he developed for a hypothetical unflagged "City Center Hotel" operating at the same property. He estimated that the City Center Hotel would lose market share in the corporate business category due to the lack of the DoubleTree franchise affiliation, resulting in a stabilized occupancy rate of 60%. Based on discussions with the Hotel's management, he also concluded that to maintain an occupancy rate of 60% without the DoubleTree franchise, the City Center Hotel would need to reduce its ADR to $110.00. Allen based his expense estimates for the City Center Hotel on the analysis he completed for the Hotel "with some adjustments," and he excluded franchise fees.[6] His analysis resulted in NOI before property taxes of $1,833,792. Allen capitalized his NOI estimate using the same 11.96% loaded capitalization rate he applied in his income approach for the Hotel, resulting in a

[6] Allen's adjustments included small increases in its projected income from Food & Beverage and Other Revenues, and small increases in almost all of its projected expenses.

value for the City Center Hotel of $15,328,060. He then subtracted the City Center Hotel's value ($15,328,060) from the indicated market value he developed for the Hotel ($21,751,073), producing an intangible value allocation for the Hotel's DoubleTree franchise affiliation of $6,420,000 (rounded). *Tr. at 108-126, 210-211; Pet'r Exs. P-1 at 96-101.*

56. To determine the contributory value of the Hotel's assembled workforce, Allen reviewed the actual wages and benefits from all of its departments. The Hotel's management estimated that it would take four weeks to adequately train all of its staff, so Allen calculated the total cost of four weeks of training based on the Hotel's actual wages and benefits. He then added an allowance for recruiting, hiring, and supplies related to onboarding equal to 10% of payroll expenses, resulting in a total value allocation for the Hotel's assembled workforce of $210,000 (rounded). *Tr. at 129-135; Pet'r Ex. P-1 at 101-102.*

57. Allen deducted the values he allocated for tangible personal property [redacted], franchise affiliation ($6,420,000), and the assembled workforce ($210,000) from his estimate of the total value of all business assets ($21,380,000) and concluded to a retrospective market value-in-use for the real property of $11,370,000 (rounded) as of January 1, 2018. *Tr. at 135; Pet'r Exs. P-1 at 102.*

58. As discussed in more detail below, while Allen is a highly qualified appraiser with significant experience appraising hotel properties, we find his attempt to remove the contributory value of tangible personal property and intangible assets led him to conclude to an opinion of the Hotel's market value-in-use as of January 1, 2018, that is not credible.

c. Allen's 2019 Appraisal

i. Income Capitalization Approach

59. For his 2019 appraisal, Allen used the same methodological approaches he relied on to develop his 2018 appraisal. He selected a stabilized occupancy rate of 62% and an ADR of $135.00 to estimate gross income of $7,362,671 for the 241 rooms. Using the same comparable, historical, and HOST data, Allen calculated income from food and beverage sales at $28.50/OR and other income at $15.00/OR, resulting in income estimates of $1,554,342 and $818,075, respectively. Added together, his revenue estimates produced total gross operating revenue of $9,735,087. *Tr. at 142-144; Pet'r Ex. P-1 at 103-105.*

60. Allen then estimated the following expenses using data from three comparable hotel properties, the Hotel's 2017 historical performance, and the *HOST Report*:

Expense Type	Projected Annual Expense
Rooms	$1,472,534
Food & Beverage	$1,243,473
Telecommunications	$109,077
Other Expenses	$531,748
Admin. & General	$735,050
Marketing	$988,100
Franchise Fee	$368,134
Property Oper. & Maint.	$349,450
Energy	$368,134
Insurance	$100,015
Management Fee	$340,728
Replacement Reserve	$389,403

Allen based his projected replacement reserve of 4.00% of revenues on a study from Korpacz/PwC. His estimated expenses were intended to reflect the achievable and consistent rates of a hotel operating under the DoubleTree flag. Deducting the expense estimates from the projected income produced a stabilized NOI of $2,739,241. *Pet'r Ex. P-1 at 103-110.*

61. Allen again conducted an overall capitalization analysis using market-derived rates, the

band-of-investment method, and surveys from RealtyRates.com and the *PwC Real Estate Investor Survey*. Market-extracted rates ranged from 8.20-10.39% for sales from January 2016 to June 2019 with an average of 9.45%. Allen used the band-of-investment technique to calculate an overall rate using first Quarter 2019 data from RealtyRates.com for Lodging Facilities-Full Service and PwC. The data showed a range of 5.51-15.20% with an average of 9.63% for the first quarter of 2019. He then consulted survey data from the *PwC Real Estate Investor Survey* which returned a range of 6.00-9.00% with an average of 7.43%. Given these results, Allen concluded to an overall capitalization rate of 8.50% for January 1, 2019. He then calculated a tax cap load of 2.8386% by reducing the Hotel's overall tax rate for 2019 by 25% to adjust for the inclusion of intangible personal property. This resulted in a final loaded capitalization rate of 11.34%. *Pet'r Ex. P-1 at 112-114.*

62. Allen divided the stabilized NOI of $2,739,241 by the capitalization rate of 11.34% to arrive at a stabilized market value-in-use for the total business assets of $24,160,000 (rounded) as of January 1, 2019. *Tr. at 144; Pet'r Ex. P-1 at 114.*

ii. Allen's Sales Comparison Approach

63. Allen followed the same process for his 2019 sales comparison approach, focusing on hotels with more than 100 rooms that sold between 2016 and 2019. He used Comparable Sales 2, 3, and 4 from his 2018 sales comparison approach, and added the following sale:

- Sale 1 (Tinley Park, IL) – a 200,000 SF full-service Holiday Inn built in 2000 and renovated in 2019 with 202 rooms situated on a 5.00-acre site. It sold for an effective sale price of $22,050,000 ($109,158/room) in November 2018. The property had an estimated RevPAR of $101.40, an ADR of $169.00, and an average room size of 990 SF. It has 70,000 SF of meeting space, an indoor pool, a bar, a restaurant, a fitness center, and a business center.

Pet'r Ex. P-1 at 115-120.

64. Allen used the same seven adjustment categories and applied the same rationale in the

2019 sales comparison approach. He determined that no adjustments were necessary for property rights, financing terms, conditions of sale, or hotel classification. Allen made positive adjustments to Comparables 2, 3, and 4 for market conditions; negative adjustments to Comparables 1 and 2 and positive adjustments to 3 and 4 for RevPAR disparities; and positive adjustments to Comparables 1 and 3 for age/condition. *Pet'r Ex. P-1 at 121-122.*

65. Allen again concluded that Comparable 2 was the most similar to the Hotel in terms of size, orientation, brand amenities, and meeting space. Based on the comparables' adjusted values, he derived a minimum indicated room price of $55,994 and a maximum of $109,340, with an average of $88,122. Allen concluded to a price per room for the Hotel of $96,000, which when multiplied by the Hotel's 241 rooms produced a retrospective market value-in-use of $23,140,000 (rounded). He then applied a Room Revenue Multiplier Analysis. Allen determined the multiplier was 3.15, which he then multiplied by his room revenue estimate of $7,362,671 to arrive at a GRM value of $23,190,000 (rounded). He then reconciled the two values and concluded to an indicated market value-in-use for the total business assets of $23,150,000 (rounded) as of January 1, 2019. *Tr. at 144; Pet'r Ex. P-1 at 122-123.*

iii. Preliminary Reconciliation

66. Allen reconciled the concluded values from his income approach ($24,160,000) and sales comparison approach ($23,150,000) to a retrospective market value-in-use of $23,960,000 for January 1, 2019. He reiterated that his reconciled value represented the total value of all business assets before removal of value attributable to the Hotel's tangible personal property, franchise agreement, and assembled workforce. *Tr. at 142-144; Pet'r Ex. P-1 at 127.*

iv. Allocation of Total Business Assets and Final Real Property Value

67. Consistent with his 2018 appraisal, Allen applied the TAB method to isolate the value of

the real estate as of January 1, 2019. He based the [redacted] he allocated to the Hotel's tangible personal property solely on HCW's Business Tangible Personal Property Returns for the January 1, 2019 assessment date. *Tr. at 137-138, 143-144; Pet'r Ex. P-1 at 128-134; Pet'r Ex. 5.*

68. To calculate the contributory value of the Hotel's franchise agreement, Allen again relied on a comparison of the Hotel's indicated market value to the indicated market value of the hypothetical unflagged City Center Hotel. He projected a stabilized occupancy rate of 60% for the City Center Hotel and concluded that to maintain that occupancy rate without the DoubleTree franchise, the City Center Hotel would need to reduce its ADR to $115.00. This resulted in NOI before property taxes of $1,978,062. Allen capitalized his NOI estimate using the same 11.34% loaded capitalization rate he applied in his income approach for the Hotel, resulting in a value for the City Center Hotel of $17,445,151. Subtracting the City Center Hotel's value ($17,445,151) from the indicated market value he developed for the Hotel ($24,158,224), produced an intangible value allocation for the Hotel's DoubleTree franchise affiliation of $6,710,000 (rounded). *Tr. at 144; Pet'r Ex. P-1 at 130-133.*

69. To determine the contributory value of the Hotel's assembled workforce, Allen calculated the cost of four weeks of training based on the Hotel's actual wages and benefits from the preceding year and added an allowance for recruiting, hiring, and supplies related to onboarding equal to 10% of payroll expenses. His analysis resulted in a total value allocation for the Hotel's assembled workforce of $280,000 (rounded). *Tr. at 144; Pet'r Exs. P-1 at 133.*

70. Allen deducted the values he allocated for tangible personal property [redacted] franchise affiliation ($6,710,000), and the assembled workforce ($280,000) from his estimate of the total value of all business assets ($23,960,000) and concluded to a retrospective market value-in-use for the real property of $12,130,000 (rounded) as of January 1, 2019. *Tr. at 144-145; Pet'r Exs. P-1 at 134.*

71. As discussed in more detail below, while Allen is a highly qualified appraiser with significant experience appraising hotel properties, we find his attempt to remove the contributory value of tangible personal property and intangible assets led him to conclude to an opinion of the Hotel's market value-in-use as of January 1, 2019, that is not credible.

d. Allen's 2020 Appraisal

i. Income Capitalization Approach

72. For his 2020 appraisal, Allen used the same methodological approaches he relied on to develop his appraisals for 2018 and 2019. He chose a stabilized occupancy rate of 62% and an ADR of $135.00 to estimate gross income of $7,362,671 for the 241 rooms. Using the same comparables, the Hotel's historical data from 2018-2020, and the HOST Report data, Allen calculated income from food and beverage sales at $29.00/OR and other income at $15.50/OR, resulting in income estimates of $1,581,611 and $845,344, respectively. Added together, his revenue estimates produced total gross operating revenue of $9,789,625. *Tr. at 142-144; Pet'r Ex. P-1 at 135-137.*

73. Allen then estimated the following expenses using data from the same comparables, the Hotel's historical data, and the *HOST Report*:

Expense Type	Projected Annual Expense
Rooms	$1,472,534
Food & Beverage	$1,265,289
Telecommunications	$109,077
Other Expenses	$549,473
Admin. & General	$747,100
Marketing	$1,000,150
Franchise Fee	$368,134
Property Oper. & Maint.	$361,500
Energy	$381,768
Insurance	$103,630
Management Fee	$342,637
Replacement Reserve	$391,585

Allen based his projected replacement reserve of 4.00% of revenues on a study from Korpacz/PwC. His estimated expenses were intended to reflect the achievable and consistent rates of a hotel operating under the DoubleTree flag. Deducting the expense estimates from the projected income produced a stabilized NOI of $2,696,749. *Pet'r Ex. P-1 at 135-142.*

74. Allen completed an overall capitalization analysis using market-derived rates, the band-of-investment method, and surveys from RealtyRates.com and the *PwC Real Estate Investor Survey*. Market-extracted rates ranged from 8.30-10.39% for sales from November 2016 to January 2020 with an average of 9.50%. Allen used the band-of-investment technique to calculate an overall rate using first Quarter 2020 data from RealtyRates.com for Lodging Facilities-Full Service and PwC. The RealtyRates data showed a range of 4.71-14.18% with an average of 8.65% for the first quarter of 2020. He then consulted survey data from the *PwC Real Estate Investor Survey* which returned a range of 6.00-9.00% with an average of 7.38%. Allen concluded to an overall capitalization rate of 8.50% for January 1, 2020. He then calculated a tax cap load of 2.8808% by reducing the Hotel's overall tax rate for 2020 by 25% to adjust for the inclusion of intangible personal property. This resulted in a final loaded capitalization rate of 11.38%. *Pet'r Ex. P-1 at 144-146.*

75. Allen treated the Hotel's 2020 occupancy as stabilized and made no stabilization adjustment. He divided the 2020 stabilized NOI of $2,696,749 by the capitalization rate of 11.38% to arrive at a stabilized market value-in-use for the total business assets of $23,700,000 (rounded) as of January 1, 2020. *Pet'r Ex. P-1 at 143, 146.*

ii. Allen's Sales Comparison Approach

76. Allen continued with the same sales comparison process in 2020, focusing on hotels with more than 100 rooms that sold between 2016 and 2020. He used Comparable Sales 2 (Romulus, MI) and 4 (Columbus, OH) from his 2018 approach, and his Comparable Sale

1 (Tinley Park, IL) first used in his 2019 approach. He then added the following sale:

- Sale 3 (Chesterton, IN) – a 71,568 SF select-service Hilton Garden Inn built in 2001 with 120 rooms situated on an irregular 2.75-acre site. It sold for an effective sale price of $13,200,000 ($110,000/room) in January 2020. The property had an estimated RevPAR of $80.60, an ADR of $130.00, and an average room size of 596 SF. It has 2,488 SF of meeting space, an indoor pool, a whirlpool, a restaurant, a fitness center, a guest laundry, and business services/center.

Tr. at 266; Pet'r Ex. 1 at 146-152.

77. Allen used the same seven adjustment categories and applied the same rationales in his previous sales comparison approaches. He determined that no adjustments were necessary for property rights, financing terms, conditions of sale, or hotel classification. Allen made positive adjustments to Comparables 2 and 4 for market conditions; negative adjustments to Comparables 1 and 2 and positive adjustments to Comparables 3 and 4 for RevPAR disparities; and positive adjustments to Comparables 1 and 3 for age/condition. *Pet'r Ex. P-1 at 153-154.*

78. Allen again found Comparable 2 to be the most similar to the Hotel in terms of size, orientation, brand amenities, and meeting space. Based on the comparables' adjusted values he derived a minimum indicated room price of $55,994 and a maximum of $119,942, with an average of $97,040. Allen concluded to a price per room for the Hotel of $100,000, which when multiplied by the Hotel's 241 rooms produced a retrospective market value-in-use of $24,100,000 (rounded). He then applied a Room Revenue Multiplier Analysis which again develops a multiplier for each comparable by dividing the sale price by the revenue figure. Allen determined the multiplier was 3.15, which he then multiplied by his room revenue estimate of $7,362,671 to arrive at a GRM value of $23,190,000 (rounded). He then reconciled the two values and concluded to an indicated market value-in-use for the total business assets of $23,920,000 (rounded) as of January 1, 2020. *Pet'r Ex. P-1 at 154-155.*

iii. Preliminary Reconciliation

79. Allen reconciled the concluded values from his income approach ($23,700,000) and sales comparison approach ($23,920,000) to a retrospective market value-in-use of $23,740,000 for January 1, 2020. He reiterated that his reconciled value represented the total value of all business assets before removal of value attributable to the Hotel's tangible personal property, franchise agreement, and assembled workforce. *Tr. at 145; Pet'r Ex. P-1 at 159.*

iv. Allocation of Total Business Assets and Final Real Property Value

80. Allen again applied the TAB method to isolate the value of the real estate as of January 1, 2020. He based the [redacted] he allocated to the Hotel's tangible personal property solely on HCW's Business Tangible Personal Property Returns for the January 1, 2020 assessment date. *Tr. at 138, 145; Pet'r Ex. P-1 at 160-166; Pet'r Ex. 5.*

81. To calculate the contributory value of the Hotel's franchise agreement, Allen again relied on a comparison of the Hotel's indicated market value to the indicated market value of the hypothetical unflagged City Center Hotel. He projected a stabilized occupancy rate of 60% for the City Center Hotel and concluded that to maintain that occupancy rate without the DoubleTree franchise, the City Center Hotel would need to reduce its ADR to $115.00. This resulted in NOI before property taxes of $1,936,156. Allen capitalized his NOI estimate using the same 11.38% loaded capitalization rate he applied in his income approach for the Hotel, resulting in a value for the City Center Hotel of $17,012,554. Subtracting the City Center Hotel's value ($17,012,554) from the indicated market value he developed for the Hotel ($23,695,703), produced an intangible value allocation for the Hotel's DoubleTree franchise affiliation of $6,680,000 (rounded). *Tr. at 145; Pet'r Ex. P-1 at 162-165.*

82. To determine the contributory value of the Hotel's assembled workforce, Allen again calculated the cost of four weeks of training based on the Hotel's actual wages and

benefits from the preceding year and added an allowance for recruiting, hiring, and supplies related to onboarding equal to 10% of payroll expenses. His analysis resulted in a total value allocation for the Hotel's assembled workforce of $180,000 (rounded). *Tr. at 145; Pet'r Ex. P-1 at 165.*

83. Allen deducted the values he allocated for tangible personal property [redacted] franchise affiliation ($6,680,000), and the assembled workforce ($180,000) from his estimate of the total value of all business assets ($23,740,000) and concluded to a retrospective market value-in-use for the real property of $13,180,000 (rounded) as of January 1, 2020. *Tr. at 144-145; Pet'r Exs. P-1 at 166.*

84. As discussed in more detail below, while Allen is a highly qualified appraiser with significant experience appraising hotel properties, we find his attempt to remove the contributory value of tangible personal property and intangible assets led him to conclude to an opinion of the Hotel's market value-in-use as of January 1, 2020, that is not credible.

e. Allen's 2021 Appraisal

i. Income Capitalization Approach

85. Allen used the same methodological approaches for 2021. He chose a stabilized occupancy rate of 62% and an ADR of $130.00 to estimate gross income of $7,089,979 for the 241 rooms. Using the same comparables, historical data for the Hotel from 2018-2020, and the HOST Report data, Allen calculated income from food and beverage sales at $29.50/OR and other income at $15.50/OR resulting in income estimates of $1,608,880 and $845,344, respectively. Added together, his revenue estimates produced total gross operating revenue of $9,544,203. *Tr. at 142-144; Pet'r Ex. P-1 at 167-169.*

86. Allen then estimated the following expenses using data from the same comparables, the Hotel's historical data, and the *HOST Report*:

Expense Type	Projected Annual Expense
Rooms	$1,417,996
Food & Beverage	$1,287,104
Telecommunications	$109,077
Other Expenses	$549,473
Admin. & General	$759,150
Marketing	$1,012,200
Franchise Fee	$354,499
Property Oper. & Maint.	$373,550
Energy	$395,403
Insurance	$107,245
Management Fee	$334,047
Replacement Reserve	$381,768

Allen based his projected replacement reserve of 4.00% of revenues on a study from Korpacz/PwC. His estimated expenses were intended to reflect the achievable and consistent rates of a hotel operating under the DoubleTree flag. Deducting the expense estimates from the projected income produced a stabilized NOI of $2,462,691. *Pet'r Ex. P-1 at 167-173.*

87. Allen again calculated an overall capitalization rate using market-derived rates, the band-of-investment method, and surveys from RealtyRates.com and the *PwC Real Estate Investor Survey*. Market-extracted rates ranged from 8.30-10.39% for sales from November 2016 to January 2020, with an average of 9.57%. Allen used the band-of-investment technique to calculate an overall rate using first Quarter 2021 data from RealtyRates.com for Lodging Facilities-Full Service and PwC. RealtyRates data showed a range of 4.63-14.18% with an average of 8.52% for the first quarter of 2021. He then consulted survey data from the *PwC Real Estate Investor Survey* which returned a range of 6.00-10.00% with an average of 8.05%. Given these results, Allen concluded to an overall capitalization rate of 9.00% for January 1, 2021. He then calculated a tax cap load of 2.7766% by reducing the Hotel's overall tax rate for 2021 by 25% to adjust for the inclusion of intangible personal property. This resulted in a final loaded, capitalization rate of 11.78%. *Pet'r Ex. P-1 at 176-178.*

88. Allen concluded that the Hotel's 2021 occupancy was stabilized and made no stabilization adjustment. He divided the 2021 stabilized NOI of $2,462,691 by the capitalization rate of 11.78% to arrive at a stabilized market value-in-use for the total business assets of $20,910,000 (rounded) as of January 1, 2021. *Pet'r Ex. P-1 at 175, 178.*

ii. Allen's Sales Comparison Approach

89. Allen continued with the same sales comparison process in 2021, focusing on hotels with more than 100 rooms that sold between 2017 and 2021. He used the following four sales:

- Sale 1 (Tinley Park, IL) – a 200,000 SF full-service Holiday Inn built in 2000 and renovated in 2019 with 202 rooms situated on a 5.00-acre site. It sold for an effective sale price of $22,050,000 ($109,158/room) in November 2018. The property had an estimated RevPAR of $101.40, an ADR of $169.00, and an average room size of 990 SF. It has 70,000 SF of meeting space, an indoor pool, a bar, a restaurant, a fitness center, and a business center.
- Sale 2 (Columbus, OH) – a 140,847 SF full-service Embassy Suites Columbus Airport built in 2008 with 198 rooms situated on a 6.45-acre site. It sold for an effective sale price of $31,900,000 ($161,111/room) in November 2019. The property had an estimated RevPAR of $119.60, an ADR of $184.00, and an average room size of 711 SF. It has 11,819+/- SF of meeting space, an indoor pool, a bar, a bistro, a fitness center, a sundry shop, and a business center.
- Sale 3 (Chesterton, IN) – a 71,568 SF select-service Hilton Garden Inn built in 2001 with 120 rooms situated on an irregular 2.75-acre site. It sold for an effective sale price of $13,200,000 ($110,000/room) in January 2020. The property had an estimated RevPAR of $80.60, an ADR of $130.00, and an average room size of 596 SF. It has 2,488 SF of meeting space, an indoor pool, a whirlpool, a restaurant, a fitness center, a guest laundry, and a business services/center.
- Sale 4 (Columbus, OH) – a 176,643 SF full-service Sheraton Suites built in 1990 and renovated in 2007 with 259 rooms situated on a 4.18-acre site. It sold for an effective sale price of $11,500,000 ($44,402/room) in May 2017. The property had an estimated RevPAR of $69.69, an ADR of $101.00, and an average room size of 682 SF. It has 2,620 SF of meeting space, a bar/restaurant, an indoor/outdoor pool, a fitness center, a business center, and a convenience store.

Pet'r Ex. P-1 at 179-184.

90. Allen used the same seven adjustment categories and applied the same rationales in his previous sales comparison approaches. He determined that no adjustments were necessary for property rights, financing terms, and conditions of sale. Allen made negative adjustments to Comparables 2 and 4 for market conditions; negative adjustments to Comparables 1 and 2 and a positive adjustment to Comparable 4 for RevPAR differences; positive adjustments to all four comparables for age/condition; and a positive adjustment to Comparable 3 for hotel classification. *Pet'r Ex. P-1 at 185-186.*

91. Allen found Comparable 4 to be the most similar to the Hotel in terms of size, orientation, brand amenities, and meeting space. Based on the adjusted values of the comparables he derived a minimum indicated room price of $56,488 and a maximum of $120,698 with an average of $96,822. Allen concluded to a 2021 price per room for the Hotel of $90,000 which when multiplied by the Hotel's 241 rooms produced a retrospective market value-in-use of $21,690,000 (rounded). He then applied a Room Revenue Multiplier Analysis which again develops a multiplier for each comparable by dividing the sale price by the revenue figure. Allen determined the multiplier was 3.00, which he multiplied by his room revenue estimate of $7,089,979 to arrive at a GRM value of $21,270,000 (rounded). He then reconciled the two values and concluded to an indicated market value-in-use for the total business assets of $21,610,000 (rounded) as of January 1, 2021. *Pet'r Ex. P-1 at 186-188.*

iii. Preliminary Reconciliation

92. Allen reconciled the concluded values from his income approach ($20,910,000) and sales comparison approach ($21,610,000) to a reconciled retrospective market value-in-use of $21,050,000 for January 1, 2021. He reiterated that his reconciled value represented the total value of all business assets before deducting the amounts attributable to the Hotel's tangible personal property, the franchise agreement, and the assembled workforce. *Tr. at 145-146; Pet'r Ex. P-1 at 192.*

iv. Allocation of Total Business Assets and Final Real Property Value

93. Allen again applied the TAB method to isolate the value of the real estate as of January 1, 2021. He based the [redacted]he allocated to the Hotel's tangible personal property solely on HCW's Business Tangible Personal Property Returns for the January 1, 2021 assessment date. *Tr. at 139, 146; Pet'r Ex. P-1 at 192-199; Pet'r Ex. 5.*

94. To calculate the contributory value of the Hotel's franchise agreement, Allen again relied on a comparison of the Hotel's indicated market value to the indicated market value of the hypothetical unflagged City Center Hotel. He projected a stabilized occupancy rate of 60% for the City Center Hotel and concluded that to maintain that occupancy rate without the DoubleTree franchise, the City Center Hotel would need to reduce its ADR to $110.00. This resulted in NOI before property taxes of $1,696,296. Allen capitalized his NOI estimate using the same 11.78% loaded capitalization rate he applied in his income approach for the Hotel, resulting in a value for the City Center Hotel of $14,403,986. Subtracting the City Center Hotel's value ($14,403,986) from the indicated market value he developed for the Hotel ($20,911,776), produced an intangible value allocation for the Hotel's DoubleTree franchise affiliation of $6,510,000 (rounded). *Tr. at 146; Pet'r Ex. P-1 at 195-198.*

95. To determine the contributory value of the Hotel's assembled workforce, Allen again calculated the cost of four weeks of training based on the Hotel's actual wages and benefits from the preceding year and added an allowance for recruiting, hiring, and supplies related to onboarding equal to 10% of payroll expenses. His analysis resulted in a total value allocation for the Hotel's assembled workforce of $220,000 (rounded). *Tr. at 146; Pet'r Ex. P-1 at 198.*

96. Allen deducted the values he allocated for tangible personal property [redacted] franchise affiliation ($6,510,000), and the assembled workforce ($220,000) from his estimate of the total value of all business assets ($21,050,000) and concluded to a retrospective market value-in-use for the real property of $11,500,000 (rounded) as of

January 1, 2021. *Tr. at 146; Pet'r Exs. P-1 at 199.*

97. As discussed in more detail below, while Allen is a highly qualified appraiser with significant experience appraising hotel properties, we find his attempt to remove the contributory value of tangible personal property and intangible assets led him to conclude to an opinion of the Hotel's market value-in-use as of January 1, 2021, that is not credible.

f. Allen's 2022 Appraisal

i. Income Capitalization Approach

98. Allen relied on the same methodological approaches for 2022. He chose a stabilized occupancy rate of 62% and an ADR of $135.00 to estimate gross income of $7,362,671 for the 241 rooms. Using the same comparables, the Hotel's historical data from 2019-2021, and the HOST Report data, Allen also calculated income from food and beverage sales at $30.00/OR and other income at $16.00/OR, resulting in income estimates of $1,636,149 and $872,613, respectively. Added together, his revenue estimates produced total gross operating revenue of $9,871,432. *Tr. at 142-144; Pet'r Ex. P-1 at 200-202.*

99. Allen then estimated the following expenses using data from the same comparables, the Hotel's historical data, and the *HOST Report*:

Expense Type	Projected Annual Expense
Rooms	$1,472,534
Food & Beverage	$1,308,919
Telecommunications	$109,077
Other Expenses	$567,198
Admin. & General	$771,200
Marketing	$1,024,250
Franchise Fee	$368,134
Property Oper. & Maint.	$385,600
Energy	$409,037
Insurance	$110,860
Management Fee	$345,500
Replacement Reserve	$394,857

Allen based his projected replacement reserve of 4.00% of revenues on a study from Korpacz/PwC. His estimated expenses were intended to reflect the achievable and consistent rates of a hotel operating under the DoubleTree flag. Deducting the expense estimates from the projected income produced a stabilized NOI of $2,604,266. *Pet'r Ex. P-1 at 200-208.*

100. Allen completed an overall capitalization analysis using market-derived rates, the band-of-investment method, and surveys from RealtyRates.com and the *PwC Real Estate Investor Survey*. Market-extracted rates ranged from 8.23-10.39% for sales from November 2016 to June 2021 with an average of 9.27%. Allen used the band-of-investment technique to calculate an overall rate using first Quarter 2022 data from RealtyRates.com for Lodging Facilities-Full Service and PwC. RealtyRates data showed a range of 4.89-13.98% with an average of 8.56% for the first quarter of 2022. He then consulted survey data from the *PwC Real Estate Investor Survey* which returned a range of 5.50-9.00% with an average of 7.35%. Given these results, Allen concluded to an overall capitalization rate of 8.50% for January 1, 2022. He then calculated a tax cap load of 2.7454% by reducing the Hotel's overall tax rate for 2022 by 25% to adjust for the inclusion of intangible personal property. This resulted in a final, loaded capitalization rate of 11.25%. *Pet'r Ex. P-1 at 209-211.*

101. Allen concluded that the Hotel's 2022 occupancy was stabilized and made no stabilization adjustment. He divided the 2022 stabilized NOI of $2,604,266 by the capitalization rate of 11.25% to arrive at a stabilized market value-in-use for the total business assets of $23,160,000 (rounded) as of January 1, 2022. *Pet'r Ex. P-1 at 208, 211.*

ii. Allen's Sales Comparison Approach

102. Allen continued with the same sales comparison process in 2022, focusing on hotels with more than 100 rooms that sold between 2018 and 2021. He used Comparable Sales 1

(Tinley Park, IL) and 3 (Chesterton, IN) from his 2021 appraisal, and added the following new sales:

- Sale 2 (Jeffersonville, IN) – a 135,020 SF full-service Sheraton Louisville Riverside built in 1975 and renovated in 2016 with 180 rooms situated on a 4.05-acre site. It sold for an effective sale price of $11,500,000 ($63,889/room) in February 2022. The property had an estimated RevPAR of $90.48, an ADR of $156.00, and an average room size of 750 SF. It has approximately 7,428 SF of meeting space, an indoor pool, restaurants, a fitness center, a sundry shop, and a business center.
- Sale 4 (Louisville, KY) – a 119,008 SF limited-service Holiday Inn Express built in 2016 with 145 rooms situated on a 0.80-acre site. It sold for an effective sale price of $13,350,000 ($92,069/room) in August 2021. The property had an estimated RevPAR of $119.68, an ADR of $176.00, and an average room size of 821 SF. It has 1,000 SF of meeting space, a fitness center, and a breakfast room.

Pet'r Ex. P-1 at 212-217.

103. Allen used the same seven adjustment categories and applied the same rationales in his previous sales comparison approaches. He determined that no adjustments were necessary for property rights, financing terms, and conditions of sale. Allen made a positive adjustment to Comparables 2 for market conditions; negative adjustments to Comparables 1, 2 and 4 and a positive adjustment to Comparable 3 for RevPAR disparities; positive adjustments to Comparables 1, 2, and 3 for age/condition; and positive adjustments to Comparables 3 and 4 for hotel classification as they are select and limited service hotels, respectively. *Pet'r Ex. P-1 at 218-219.*

104. Allen found Comparable 1 to be the most similar to the Hotel in terms of size, orientation, brand amenities, and meeting space while Comparable 3 is closest for RevPAR. Based on the adjusted values of the comparables he derived a minimum indicated room price of $70,829 and a maximum of $131,937 with an average of $94,242. Allen concluded to a 2022 price per room for the Hotel of $100,000 which when multiplied by the Hotel's 241 rooms produced a retrospective market value-in-use of $24,100,000. He then applied a Room Revenue Multiplier Analysis which again develops a multiplier for each comparable by dividing the sale price by the revenue

figure. Allen determined the multiplier was 3.15, which he then multiplied by his room revenue estimate of $7,362,671 to arrive at a GRM value of $23,190,000 (rounded). He then reconciled the two values and concluded to an indicated market value-in-use for the total business assets of $23,920,000 (rounded) as of January 1, 2022. *Pet'r Ex. P-1 at 219-221.*

iii. Preliminary Reconciliation

105. Allen reconciled the concluded values from his income approach ($23,160,000) and sales comparison approach ($23,920,000) to a reconciled retrospective market value-in-use of $23,310,000 for January 1, 2022. He reiterated that his reconciled value represented the total value of all business assets before deducting the amounts attributable to the Hotel's tangible personal property, the franchise agreement, and the assembled workforce. *Tr. at 146-147; Pet'r Ex. P-1 at 225.*

iv. Allocation of Total Business Assets and Final Real Property Value

106. Allen again applied the TAB method to isolate the value of the real estate as of January 1, 2022. He based the [redacted] he allocated to the Hotel's tangible personal property solely on HCW's Business Tangible Personal Property Returns for the January 1, 2022 assessment date. *Tr. at 139-140; Pet'r Ex. P-1 at 225-232; Pet'r Ex. 5.*

107. To calculate the contributory value of the Hotel's franchise agreement, Allen again relied on a comparison of the Hotel's indicated market value to the indicated market value of the hypothetical unflagged City Center Hotel. He projected a stabilized occupancy rate of 60% for the City Center Hotel and concluded that to maintain that occupancy rate without the DoubleTree franchise, the City Center Hotel would need to reduce its ADR to $115.00. This resulted in NOI before property taxes of $1,845,099. Allen capitalized his NOI estimate using the same 11.25% loaded capitalization rate he applied in his income

[7] Allen testified that the tangible personal property value of [redacted] indicated in Ex. P-1 was incorrect and should be [redacted] resulting in a final value of $13,630,000 as of January 1, 2022. *Tr. at 139-140; Pet'r Ex. P-1 at 226; Pet'r Ex. P-5.*

approach for the Hotel, resulting in a value for the City Center Hotel of $16,407,621. Subtracting the City Center Hotel's value ($16,407,621) from the indicated market value he developed for the Hotel ($23,158,551), produced an intangible value allocation for the Hotel's DoubleTree franchise affiliation of $6,750,000 (rounded). *Pet'r Ex. P-1 at 228-231.*

108. To determine the contributory value of the Hotel's assembled workforce, Allen again calculated the cost of four weeks of training based on the Hotel's actual wages and benefits from the preceding year and added an allowance for recruiting, hiring, and supplies related to onboarding equal to 10% of payroll expenses. His analysis resulted in a total value allocation for the Hotel's assembled workforce of $310,000 (rounded). *Tr. at 147; Pet'r Ex. P-1 at 231.*

109. Allen deducted the values he allocated for tangible personal property [redacted] franchise affiliation ($6,750,000), and the assembled workforce ($310,000) from his estimate of the total value of all business assets ($23,310,000) and concluded to a retrospective market value-in-use for the real property of $13,630,000 (rounded) as of January 1, 2022. *Tr. at 147; Pet'r Exs. P-1 at 232.*

110. As discussed in more detail below, while Allen is a highly qualified appraiser with significant experience appraising hotel properties, we find his attempt to remove the contributory value of tangible personal property and intangible assets led him to conclude to an opinion of the Hotel's market value-in-use as of January 1, 2022, that is not credible.

g. Allen's 2023 Appraisal

i. Income Capitalization Approach

111. Allen relied on the same methodological approaches for 2023 once again. He chose a stabilized occupancy rate of 62% and an ADR of $140.00 to estimate gross income of

$7,635,362 for the 241 rooms. Using the same comparables, the Hotel's historical data from 2018-2023, and the HOST Report data, Allen calculated income from food and beverage sales at $31.00/OR and other income at $16.50/OR, resulting in income estimates of $1,690,687 and $899,882, respectively. Added together, his revenue estimates produced total gross operating revenue of $10,225,931. *Tr. at 142-144; Pet'r Ex. P-1 at 233-235.*

112. Allen then estimated the following expenses using data from the same comparables, the Hotel's historical data, and the *HOST Report*:

Expense Type	Projected Annual Expense
Rooms	$1,527,072
Food & Beverage	$1,352,550
Telecommunications	$109,077
Other Expenses	$584,923
Admin. & General	$783,250
Marketing	$1,036,300
Franchise Fee	$381,768
Property Oper. & Maint.	$397,650
Energy	$422,672
Insurance	$114,475
Management Fee	$357,908
Replacement Reserve	$409,037

Allen based his projected replacement reserve of 4.00% of revenues on a study from Korpacz/PwC. His estimated expenses were intended to reflect the achievable and consistent rates of a hotel operating under the DoubleTree flag. Deducting the expense estimates from the projected income produced a stabilized NOI of $2,749,249. *Pet'r Ex. P-1 at 233-240.*

113. Allen completed an overall capitalization analysis using market-derived rates, the band-of-investment method, and surveys from RealtyRates.com and the *PwC Real Estate Investor Survey*. Market-extracted rates ranged from 8.23-10.00% for sales from May 2017 to October 2022 with an average of 9.03%. Allen used the band-of-investment technique to calculate an overall rate using first Quarter 2023 data from RealtyRates.com

for Lodging Facilities-Full Service and PwC. RealtyRates data showed a range of 6.14-14.68% with an average of 9.57% for the first quarter of 2023. He then consulted survey data from the *PwC Real Estate Investor Survey* which returned a range of 4.50-10.00% with an average of 8.05%. Given these results, Allen concluded to an overall capitalization rate of 9.00% for January 1, 2023. He then calculated a tax cap load of 2.7409% by reducing the Hotel's overall tax rate for 2023 by 25% to adjust for the inclusion of intangible personal property. This resulted in a final, loaded capitalization rate of 11.74%. *Pet'r Ex. P-1 at 241-244.*

114. Allen divided the 2023 stabilized NOI of $2,749,249 by the capitalization rate of 11.74% to arrive at a stabilized market value-in-use for the total business assets of $23,420,000 (rounded) as of January 1, 2023. *Pet'r Ex. P-1 at 241, 244.*

ii. Allen's Sales Comparison Approach

115. Allen continued with the same sales comparison process in 2023, focusing on hotels with more than 100 rooms that sold between 2019 and 2022. He used Comparable Sales 2 (Jeffersonville, IN) and 4 (Louisville, KY) from his 2022 appraisal; and Comparable Sale 3 (Chesterton, IN) from his 2021 appraisal. He added the following new sale:

- Sale 1 (Evansville, IN) – a 66,751 SF limited-service Home2 Suites Evansville built in 2017 with 102 rooms situated on a 2.33-acre site. It sold for an effective sale price of $11,160,000 ($63,889/room) in February 2022. The property had an estimated RevPAR of $90.35, an ADR of $139.00, and an average room size of 654 SF. It has an indoor pool, an outdoor patio, a breakfast area, a fitness center, a sundry shop, a guest laundry, and a business center, but no meeting space.

Pet'r Ex. P-1 at 245-250.

116. Allen used the same seven adjustment categories and applied the same rationales in his previous sales comparison approaches. He determined that no adjustments were necessary for property rights, financing terms, and conditions of sale. Allen made negative adjustments to Comparables 3 and 4 for market conditions; negative adjustments

to Comparables 1, 3 and 4 and a positive adjustment to Comparable 2 for RevPAR disparities; positive adjustments to Comparables 2, and 3 for age/condition; and positive adjustments to Comparables 1, 3 and 4 for hotel classification as they are all less than full-service facilities. *Pet'r Ex. P-1 at 251-252.*

117. Allen found Comparable 2 to be the most similar to the Hotel in terms of size, orientation, brand amenities, and meeting space while Comparable Sales 1 and 2 were closest for RevPAR. Based on the adjusted values of the comparables he derived a minimum indicated room price of $69,779 and a maximum of $124,074 with an average of $95,910. Allen concluded to a 2023 price per room for the Hotel of $105,000 which when multiplied by the Hotel's 241 rooms produced a retrospective market value-in-use of $25,310,000 (rounded). He then applied a Room Revenue Multiplier Analysis which again develops a multiplier for each comparable by dividing the sale price by the revenue figure. Allen determined the multiplier was 3.00, which he multiplied by his room revenue estimate of $7,635,362 to arrive at a GRM value of $22,910,000 (rounded). He then reconciled the two values and concluded to an indicated market value-in-use for the total business assets of $24,830,000 (rounded) as of January 1, 2023. *Pet'r Ex. P-1 at 252-254.*

iii. Preliminary Reconciliation

118. Allen reconciled the concluded values from his income approach ($23,420,000) and sales comparison approach ($24,830,000) to a reconciled retrospective market value-in-use of $23,700,000 for January 1, 2023. He reiterated that his reconciled value represented the total value of all business assets before removal of value attributable to the Hotel's tangible personal property, franchise agreement, and assembled workforce. *Tr. at 147; Pet'r Ex. 1 at 257.*

iv. Allocation of Total Business Assets and Final Real Property Value

119. Allen again applied the TAB method to isolate the value of the real estate as of January 1,

2023. He based the [redacted] he allocated to the Hotel's tangible personal property solely on HCW's Business Tangible Personal Property Returns for the January 1, 2023 assessment date. *Tr. at 140-141, 147-148; Pet'r Ex. P-1 at 257-264; Pet'r Ex. 5.*

120. To calculate the contributory value of the Hotel's franchise agreement, Allen again relied on a comparison of the Hotel's indicated market value to the indicated market value of the hypothetical unflagged City Center Hotel. He projected a stabilized occupancy rate of 60% for the City Center Hotel and concluded that to maintain that occupancy rate without the DoubleTree franchise, the City Center Hotel would need to reduce its ADR to $120.00. This resulted in NOI before property taxes of $1,845,099. Allen capitalized his NOI estimate using the same 11.74% loaded capitalization rate he applied in his income approach for the Hotel, resulting in a value for the City Center Hotel of $1,984,084. Subtracting the City Center Hotel's value ($1,984,084) from the indicated market value he developed for the Hotel ($23,416,052), produced an intangible value allocation for the Hotel's DoubleTree franchise affiliation of $6,520,000 (rounded). *Tr. at 148; Pet'r Ex. P-1 at 260-263.*

121. To determine the contributory value of the Hotel's assembled workforce, Allen again calculated the cost of four weeks of training based on the Hotel's actual wages and benefits from the preceding year and added an allowance for recruiting, hiring, and supplies related to onboarding equal to 10% of payroll expenses. His analysis resulted in a total value allocation for the Hotel's assembled workforce of $350,000 (rounded). *Tr. at 148; Pet'r Ex. P-1 at 263.*

122. Allen deducted the values he allocated for tangible personal property [redacted] franchise affiliation ($6,520,000), and the assembled workforce ($350,000) from his estimate of the total value of all business assets ($23,700,000) and concluded to a retrospective market value-in-use for the real property of $14,210,000 (rounded) as of

[8] Allen testified that the tangible personal property value of [redacted] in Ex. 1 was incorrect and should be [redacted] resulting in a final value of $14,210,000 for January 1, 2023. *Tr. at 140-141; Pet'r Ex. P-1 at 258; Pet'r Ex. P-5.*

January 1, 2023. *Tr. at 147-148; Pet'r Ex. P-1 at 264.*

123. As discussed in more detail below, while Allen is a highly qualified appraiser with significant experience appraising hotel properties, we find his attempt to remove the contributory value of tangible personal property and intangible assets led him to conclude to an opinion of the Hotel's market value-in-use as of January 1, 2023, that is not credible.

h. Summary of Allen's Final Value Conclusions for 2018-2023

124. Allen concluded to the following final values:

Assessment Year	Final Value
2018	$11,370,000
2019	$12,130,000
2020	$13,180,000
2021	$11,500,000
2022	$13,630,000
2023	$14,210,000

Tr. at 139-148; Pet'r Ex. P-1 at 102, 134, 166, 199, 232, 264.

2. Lesser's Review of Allen's Appraisals

125. The Assessor offered a review appraisal from Daniel Lesser, MAI, FRICS, CRE, CHA. Lesser founded LW Hospitality Advisors, LLC ("LWHA") and LWHA Asset Management Group ("AMG") in 2011. He serves as LWHA's President and Chief Executive Officer, and as AMG's Chief Executive Officer. LWHA and AMG value hotel assets and provide asset management and consulting services for lodging and other related areas. Lesser holds a bachelor of science degree in hotel administration from Cornell University; a cours de cuisine degree from the Ecole hôtelière de Lausanne; a

business administration degree from Baruch College of the City University of New York; a real estate investment degree from the New York University School of Continuing Education, and the MAI designation from the Appraisal Institute. *Tr. at 300-303, 305; Resp't Ex. G Add.*.

126. Lesser was previously employed by C.B. Richard Ellis as Senior Managing Director of the Hospitality and Gaming Group (2006-2010); by Cushman & Wakefield, Inc. in several capacities ending with Senior Managing Director of the Hospitality and Gaming Group (1994-2005); by HVS International[9] as Senior Vice President-Director of Consulting and Valuation Services (1981-1994); and by Hilton Hotels Corporation (1978-1981). He also holds a designation as a Certified Hotel Administrator from the American Hotel and Lodging Association. Lesser's résumé includes 25 accreditations and affiliations and hundreds of lecture appearances on varying topics in the hotel industry. Lesser has also published hundreds of articles related to the lodging industry. He has previously testified as an expert witness in 41 cases. Lesser's property and client list numbers in the thousands that includes both U.S. and international clients. He has the designation of Fellow of the Royal Institution of Chartered Surveyors, which recognizes valuers of property. Additionally, Lesser has served as both a general and limited partner in hotel properties. *Tr. at 303- 316; Resp't Ex. G Add.*.

127. The Assessor offered Lesser as an expert in hotel operations and valuation to which HCW did not object. We find Lesser to be an expert in the areas of hotel operations and valuation. *Tr. at 316-317.*

128. The Assessor hired Lesser to prepare an Appraisal Review[10] of Allen's Appraisal Report for the Hotel dated November 18, 2024. Lesser's report conforms with USPAP and with the Appraisal Institute's Code of Professional Ethics and Standards of Professional

[9] HVS International, formerly known as Hospitality Valuation Services, was founded by Steve Rushmore. *Tr. at 303.*

[10] Although an additional appraiser, Eric Hansen, co-authored and co-signed the Appraisal Review, Lesser was the only one who testified. For simplicity, we will refer to it as Lesser's review.

Appraisal Practice. Lesser reviewed Allen's Appraisal Report to assess whether the methods and techniques Allen employed were appropriate for the assignment; his review did not include developing an independent conclusion of value. *Tr. at 330-331; Resp't Ex. G at 3-4, 24.*

129. Lesser believes that the TAB method Allen employed to value the Hotel "is a hypothetical academic construct with no market foundation developed by advocates for use by advocates for the sole purpose of reducing property taxes." He does not think that the TAB method reflects the actions of market participants, and he has never met a market participant who is familiar with it. According to Lesser, the actions of hotel investors indicate that the purchase of a hotel property reflects the acquisition of real and personal property only, and that investors account for the income attributable to the business by deducting management and/or franchise fee expenses. *Tr. at 325-326, 335-336; Resp't Ex. G at 3-4.*

130. In Lesser's review of Allen's market overview, he faulted Allen for confining his selection of competitive hotels to those that HCW's management identified as direct competition. He also criticized Allen for relying on conversations with management to exclude the Hyatt Place that opened in 2022 even though it is located only three blocks from the Hotel, making it the closest competitive lodging option. Lesser further noted that Allen's failure to review and analyze the market in the years prior to the opening of the Hotel prevented consideration of the effect the Hotel's opening had on the market. Thus, Lesser concluded that Allen's analysis of the Hotel's historical occupancy and ADR were insufficient. *Resp't Ex. G at 10-11.*

131. Lesser also disapproved of Allen's allocations for the contributory value of the Hotel's tangible and intangible personal property. He noted that Allen simply based his allocations for tangible personal property on HCW's personal property tax returns. Turning to Allen's allocations for the Franchise Agreement, Lesser took issue with Allen's use of the percentage of the Hotel's room nights "booked through Hilton" and his

reliance on two studies that attributed a significant amount of a hotel's RevPAR to its brand affiliation to justify downward RevPAR adjustments of 17-18% for his hypothetical City Center Hotel. He further noted that Allen failed to explain or support any of the other line-item adjustments he made to his income and expense projections for the City Center Hotel. Lesser also criticized Allen for recognizing that his hypothetical City Center Hotel would likely have a higher capitalization rate due to the increased risk associated with an unflagged hotel but then applying the same capitalization rate he used to develop the Hotel's valuation under the income approach. Lesser concluded that Allen's deduction for value attributable to the assembled workforce was also unsupported and again noted that buyers would not consider any intangible value related to the going concern. *Tr. at 335-336; Resp't Ex. G at 13-15.*

132. Lesser reiterated that Allen's methodology for isolating and removing the contributory value of the Hotel's tangible and intangible personal property is not relied on by market participants when valuing hotels. He also stressed that market data for hotel transactions does not reflect the going concern value—only the value of the real property and FF&E. Lesser therefore concluded that there is no market support for attributing value to intangibles such as brand affiliation and assembled workforce, making any attempt to value them for more than their associated expenses erroneous. He cited to several articles for support, including one he coauthored with Peter F. Korpacz, MAI, CRE, FRICS, in which they presented market data demonstrating that hotel transactions only transfer the fee simple interest in the real estate and personal property. Their analysis of sales data from more than 50 hotel transactions involving public REITs showed that 94.55% of their sales prices were allocated to real property and 5.46% were allocated to FF&E, with no allocation for intangible assets like brand affiliation or an assembled workforce. *Tr. at 342-345, 355-356; Resp't Ex. G at 16-21.*

133. Lesser did not identify any specific issues with Allen's income approach. Although he generally found Allen's sales comparison approach to be sufficient and market supported, he did not agree with Allen's use of a Room Revenue Multiplier Analysis because it did

not capture revenue generated from food and beverage sales and thus understated the Hotel's full revenue potential. Lesser also disagreed with Allen's decision to forgo development of a cost approach because he thinks market participants would typically analyze what it would cost to build a similar hotel. Allen chose not to develop a cost approach because he felt that the subsidies provided to the developer meant that the Hotel was not financially feasible to build. However, Lesser noted that under the Second Amended and Restated Project Development Agreement the public subsidies available for development were not to exceed [redacted] an amount significantly lower than the [redacted] in subsidies that Allen reported. Further, Lesser pointed to the opening of the Hyatt Place hotel just three blocks from the Hotel as an indication that market conditions were conducive to feasibility. *Tr. at 359-361, 424-425; Resp't Ex. G at 21-22.*

134. Based on the issues Lesser identified, he ultimately concluded that Allen's Appraisal Reports understated the Hotel's value. *Resp't Ex. G at 22.*

135. As discussed in more detail below, we find merit to many of Lesser's criticisms regarding Allen's methodology for isolating and removing the contributory value of the Hotel's tangible and intangible personal property, but we stop short of endorsing his claim that the *only* acceptable way to account for income attributable to the business is by deducting management and/or franchise fee expenses.

3. Hall's Appraisals

136. The Assessor offered Appraisal Reports from David Hall, MAI, AICP, Managing Director of Integra Realty Resources-Indianapolis. He has a bachelor's degree in landscape architecture from Ball State University and an MBA from The Ohio State University. Hall is a licensed Indiana Certified General Real Estate Appraiser, and he has been a commercial real estate appraiser for 20 years. Hall has been the primary appraiser in the appraisal of approximately 100 hotels over the past 10 years. Twelve of those appraisals were for property tax purposes, with his work divided between assessors and taxpayers. Hall also is a member of Integra's specialty practice group focusing on hotel

valuation. *Tr. at 455-459, 603-606; Resp't Ex. E, Add. A.*

137. Hall was offered as an expert in hotel valuation to which HCW did not object. We find that Hall's experience and training qualify him as an expert in hotel valuation. *Tr. at 459-460.*

138. Hall performed an interior and exterior inspection of the Hotel on July 15, 2024.[11] He performed appraisals of the retrospective market value-in-use of the Hotel's fee simple interest as of January 1 for years 2018 through 2021 using the cost, sales, and income capitalization approaches, and he applied trending factors to his value conclusion for the January 1, 2021, assessment date to arrive at trended values for 2022 and 2023. Hall certified that he prepared his Appraisal Reports in conformity with USPAP and the Code of Professional Ethics and Standards of Professional Conduct of the Appraisal Institute. *Tr. at 460-467, 471-472; Resp't Exs. A, B, C, and D at 6, 9, 12, 14-16, 204-205.*

a. Hall's Market Overview

139. Hall described the Hotel as a full-service, upscale hotel built in downtown Evansville adjacent to the City's convention center and numerous other facilities and attractions. He observed that there were several other hotels in the downtown area including a Hyatt Place located within three blocks of the Hotel that opened in 2021. The facilities and attractions in the downtown area, which include the convention center, Ford Center, Bally's Casino, the riverfront, and other venues, allow the Hotel to draw guests from the leisure, business, travel, university, and events sectors of the market. *Tr. at 468-470: Resp't Exs. A, B, C, and D at 2, 4-5.*

140. Hall developed an economic and demographic analysis to help him understand the characteristics of the Hotel's market area and the market in which it competes. He

[11] In April of 2021, Hall completed an appraisal of the Hotel for the January 1, 2018 assessment date. He noted that his 2021 and 2024 reports for 2018, while similar, are different in several ways because of additional data that was available in 2024. *Resp't Ex. A at Transmittal letter, 9, 12, 204; Tr. at 460-463, 607-608.*

described the population in Vanderburgh County as relatively stable over the preceding 10 years with only a slight gain in population. Hall noted an 8.1% increase in employment from 2010 to 2017. Overall, Vanderburgh County employment growth was higher than that for the State, and unemployment rates were lower. Hall noted that in 2021, the median income in Evansville was 6.2% less than the State's median income, and the County income was 10.5% less than the State's average income. Hall concluded that with the exception of 2020 (during the onset of Covid), the data for all years under appeal showed positive economic trends in Vanderburgh County. *Tr. at 473-474, 589-593; Resp't Exs. A, B, C, and D at 17-26.*

141. Hall found a broad range of land uses near the Hotel including office, industrial, institutional, multi-family, and residential, as well as vacant land. Evansville is currently in a stable life cycle and Hall concluded that indicator ratings for the market area were primarily good. He identified several hotel competitors in the downtown area, which includes Le Merigot/Legends Tower, Holiday Inn Express, Hyatt Place, and the Tropicana Evansville. *Tr. at 470, 476; Resp't Exs. A, B, C, and D at 27-31.*

142. Hall developed a market segmentation analysis to help understand the dynamics of supply and demand in the area for properties similar to the Hotel. He defined the Hotel as an upscale, full-service hotel based on its DoubleTree flag and its overall construction quality and design. It contributes lodging space to and is supported by the Ford Center, the Old National Events Plaza, the Stone Family Center, the Evansville Bally Casino, the University of Evansville, and other employers and local businesses. Hall consulted Smith Travel Research ("STR") to gather lodging market performance data which showed increasing ADRs and stable to increasing RevPARs for hotels in the following categories: United States, upscale chain, upscale class, East North Central Region, urban, and small metro/town dynamics. *Tr. at 476-488; Resp't Exs. A, B, and C at 32-40; D at 32-35.*

143. Hall also reviewed Co-Star Analytic Surveys based on upscale hotels in Indiana with 100-300 rooms. Except for the 2020 Covid year, occupancy ranged between 65 and

70%. ADRs generally increased from 2014 to 2024, and market sale price per room were increasing and rebounded after 2020. Additionally, the market cap rate was generally stable from 2014-2019 and declined in 2020-21, with an approximate cap rate of 8.60%. Vanderburgh County hotels had a 60% occupancy rate, gradually increasing ADRs, and a 9.26% cap rate. Hall developed a competitive property ranking for the hotels that ranked the Hotel evenly with the Le Merigot/Legends Tower, the Tropicana, and the Hyatt Place, and slightly higher than the Hilton Garden Inn and the Courtyard Evansville East. Hall then studied market demand and ADR yields for 2018-2020 and 2021 and determined room night penetration of 85% and 94% (projected) for 2021; an ADR penetration yield of 116%, and RevPAR ranging from $70.58-$76.40 for 2018-2020, and $63.11 for 2021. *Tr. at 489-492; Resp't Exs. A, B, and C at 41-57; D at 46-62.*

144. Hall found the Hotel's actual age to be one year as of 2018 and assigned it effective ages of 1-6 years from 2018-2023. Using Marshall Valuation Service ("MVS"), he classified the Hotel as a Class C upscale, full-service hotel with an estimated life of 50 years. Hall determined the Hotel to be of Class C average construction, with a combination of concrete, masonry, and steel frame. The Hotel's 241 rooms are divided between 91 Queen rooms and 150 King rooms. It has the right under a 2015 agreement to use 268 parking spaces in the adjacent garage for a period of 25 years, subject to varying annual rents. The Hotel has all of the typical elements and personal property associated with hotel FF&E. The DoubleTree franchise agreement includes a property improvement plan ("PIP"), which would typically require brand improvements every 6-10 years on average, but it was not invoked during the years at issue. Hall found no functional obsolescence or deferred maintenance. While the Hotel was subject to a restrictive covenant, he concluded it had no material impact on his opinion of value. Based on his highest and best use analysis, he concluded that the Hotel's current use was consistent with its highest and best use as improved and that its most probable buyer would have been a local or regional investor. *Tr. at 492-498; Resp't Exs. A, B, and C at 70-79, 111-114; D at 75-84, 116-119.*

b. Hall's 2018 Appraisal

i. Cost Approach

145. Hall thought that the cost approach was a good appraisal method for the Hotel due to its age and the significant amount of construction cost information and comprehensive MVS data available to him. He began the cost approach by appraising the Hotel's land value using the sales comparison approach. He searched downtown Evansville for similar properties zoned for commercial use that had fee simple sales between 2014 and the effective dates on appeal. He selected the following four land sales located in downtown Evansville for his analysis:

- Land Sale 1 (311 NW 5th Street) – a 0.82-acre redevelopment site purchased in November 2017 for $21.56/SF for development of a new YMCA facility. The budgeted demolition cost for an existing two-story structure was $120,000.
- Land Sale 2 (202 SE 2nd Street) – a 2.28-acre redevelopment site purchased in January 2017 for $12.49/SF for development of a 139-room Hyatt Place hotel. The estimated demolition cost for an existing structure and surface parking lot was $240,000.
- Land Sale 3 (101 SE 6th Street) – a 7.31-acre redevelopment site consisting of seven (7) contiguous parcels purchased in January 2015 for $25.91/SF for development of a new I.U. Medical School regional campus. At the time of sale, the estimated demolition cost to remove an existing one-story commercial building, various other small structures, and the paved parking areas was $150,000. The total land acquisition cost with demolition was $8,250,000.
- Land Sale 4 (500-526 NW 4th Street) – a 0.96-acre redevelopment site purchased in February 2014 for $11.41/SF in three concurrent transactions that closed the same day. A 6,300 SF structure was subsequently demolished at an estimated cost of $20,000. The site is in the General Commercial District and zoned C-4. No subsequent use of the property was provided.

Tr. at 498-502; Resp't Ex. A at 118-121.

146. Hall considered adjustments for effective sale price, property rights, financing terms, conditions of sale, market conditions, location, visibility/orientation, size, physical characteristics, zoning, and utilities. He adjusted the sales based on superior, similar, and inferior differences using several data sources including prior appraisals, and the

following databases: IRR, CoStar, Loopnet, INDOT, and Department of Local Government Finance sales disclosure forms. Hall made no adjustments for property rights, financing terms, conditions of sale, physical characteristics, or utilities. Hall made upward market conditions adjustments of 1%, 3%, 9%, and 12% to Sales 1-4, respectively. He also made upward location adjustments of 20% to Sales 2 and 4, an upward visibility/orientation adjustment of 20% to Sale 3, and an upward zoning adjustment of 20% to Sale 2. After adjustment, Hall's comparable land sales had prices ranging from $15.34/SF to $22.59/SF, and an average price of $19.00/SF. Hall noted that even without adjustments, the $19.00/SF value he selected fell near the middle of the range. Applying $19.00/SF to the Hotel's 60,113 SF of land produced an indicated land value of $1,140,000 (rounded) for 2018. *Tr. at 502-506; Resp't Ex. A at 122-131.*

147. Hall used several methods to value building improvements, including: MVS Calculator, MVS Cost per Room, historical cost (trended), Cushman & Wakefield, and cost comparables. He based his estimate for the Hotel's building on the unit cost for a Class C full-service hotel of "average" quality. Using the MVS Calculator, Hall estimated total indirect costs of 25%. He noted that MVS already accounted for 20% of the indirect costs, and he made a final 5% adjustment for several indirect costs that were not accounted for. Hall also concluded that a 5% entrepreneurial incentive adjustment was necessary. His total replacement cost new for the hotel building and canopy with indirect and entrepreneurial incentive adjustments was $23,158,384. Hall calculated site improvements for a swimming pool and 3,600 square feet of concrete paving (with 5% added for indirect and entrepreneurial incentive costs) to be $100,098. Hall concluded to a total replacement cost new for the Hotel of $23,258,482, or $96,093/room. *Tr. at 506-514; Resp't Ex. A at 132-138.*

148. Next, Hall applied the MVS Cost per Room approach and found FF&E cost ranges to be 13.5-24.0% of total project costs and 18.5-31.0% of total building costs. After adding 5% for indirect costs and entrepreneurial incentive, he estimated an average cost per room of $70,229. Hall trended historical property and building system costs using

KBKG construction costs and added 5% for indirect costs and entrepreneurial incentive, resulting in a cost per room of $79,430. He also consulted Cushman & Wakefield for upscale hotel per room hard and soft costs and arrived at a cost per room of $61,000. Hall then used 2019 Embassy Suites and 2021 Hyatt Place construction numbers as cost comparables and calculated an average cost per room of $136,971. He gave greatest weight to the MVS Calculator, Cost per Room, historical cost, and Cushman & Wakefield estimates. Hall discounted the value of comparable cost results and reconciled to a value of $77,000/room, resulting in a total cost of $18,557,000 for the Hotel's 241 rooms. Additionally, Hall used the MVS Calculator to conclude to a replacement cost new for the site improvements of $100,098. *Tr. at 514-523; Resp't Ex. A at 139-145.*

149. Hall used the modified economic age-life method and an expected 50-year life to calculate depreciation for the building for 2018, 2019, and 2020. For 2021, he chose the modified economic age-life method due to Covid-caused external obsolescence. Hall determined the effective age of the building was one as of January 1, 2018, and he increased its effective age by one year for each subsequent appeal year. He found that the Hotel did not suffer from locational or economic obsolescence, based on his observation that local and national RevPARs were relatively healthy. Hall applied 2.0% depreciation for 2018, which when deducted from his estimated replacement cost new resulted in a depreciated replacement cost of $18,185,860. He estimated total depreciation of 5.6% for the site improvements for 2018, resulting in a depreciated replacement cost of $94,471. Adding his depreciated replacement costs for the building and site improvements produced a depreciated replacement cost of $18,280,000 (rounded). *Tr. at 523-529; Resp't Ex. A at 145-150.*

150. Hall then added his land value of $1,140,000 to his depreciated replacement cost of $18,280,000 and concluded to an indicated value for the Hotel of $19,400,000 (rounded) as of January 1, 2018. He clarified that this number inherently excluded any value attributable to the Hotel's personal property, business enterprise value, and intangible assets. *Tr. at 473, 528-529; Resp't Ex. A at 150.*

ii. Sales Comparison Approach

151. Hall started his sales comparison approaches by searching for upscale Indiana hotels with more than 100 rooms that sold between January 2013 and December 2022. He specifically excluded portfolio and multi-property transactions. Hall's search identified ten similar hotel sales in Indiana, but he concluded that only two warranted further analysis. Hall used the 2017 sale of a DoubleTree in South Bend in his 2018, 2019, 2020, and 2021 appraisals. And he used the 2020 sale of a Hilton Garden Inn in Chesterton for his 2019, 2020, and 2021 appraisals. He then searched for Midwestern full-service or select service hotels with 100-300 rooms that sold between January 2013 and December 2022, again excluding portfolio and multi-property sales. The following four sales were used for 2018:

- Sale 1 (30559 Flynn Drive, Romulus, MI) – a 132,248 SF, 249-room, Marriott-flagged hotel built in 1990 on a 2.98-acre site purchased in September 2016 for $173.92/SF or $92,369/room. This property has a restaurant, bar, fitness center, business center, indoor pool, and 6,600 SF of meeting space. The seller received 20 offers, and the broker reported a cap rate of 8.20%.
- Sale 2 (123 N. Dr. Martin Luther King Jr. Blvd., South Bend, IN) – a 172,368 SF, 291-room, DoubleTree-flagged hotel built in 1981 and purchased in May 2017 for $150.20/SF or $88,970/room. The facility has an atrium, restaurant, bar, Starbuck's coffee shop, fitness and business centers, indoor pool, and 7,000 SF of meeting/event space. The property was actively marketed and sold at a cap rate of 8.95%. The sale also included a 74,264 SF, two-story parking facility for which Hall estimated a contributory value of $1,500,000.
- Sale 3 (1250 Jordan Creek Pkwy., West Des Moines, IA) – a 160,096 SF, 219-room, Marriott-flagged hotel built in 1974 and purchased in July 2017 for $110.87/SF or $81,050/room. The hotel includes a restaurant, bar, business and fitness centers, indoor pool, and 8,623 SF of meeting space. Total purchase price was $19,000,000, of which the buyer returned $1,250,000 for FF&E. The buyer completed a PIP on the property at an estimated cost of $11,500,000.
- Sale 4 (10499 Innovation Drive, Wauwatosa, WI) – a 123,501 SF, 198-room, full-service Crowne Plaza-flagged hotel built in 2008 and purchased in May 2018 for $198.38/SF or $123,737/room. Amenities include a restaurant, bar, fitness and business centers, indoor pool, and 6,800 SF of meeting space. The property was subsequently sold in May 2019 for $30,000,000.

Tr. at 530-533; Resp't Exs. A at 151-157.

152. Hall evaluated the properties for the following adjustments: effective sale price, real property rights, financing terms, conditions of sale, market conditions, location, size (# of rooms), economic characteristics, physical characteristics, and effective age/condition. He ultimately made no adjustments for property rights, financing terms, conditions of sale, size, or economic characteristics. Hall applied market conditions adjustments to each comparable sale at an average annual rate of 3%, resulting in upward adjustments of 3.80%, 2.50%, 1.20%, and 1.00% to Sales 1-4, respectively. He made no location adjustment to Sale 2, and applied downward location adjustments of 10%, 5%, and 15% to Sales 1, 3, and 4, respectively. Hall also applied effective age/condition adjustments calculated by applying 1% per year of difference between the effective ages of each of the comparable sales and the Hotel. He made upward effective age/condition adjustments of 14%, 19%, 24%, and 9% to Sales 1-4, respectively. Hall also provided information on four secondary sales that were not used in his valuation analysis. *Tr. at 537-551; Resp't Ex. A at 158-169.*

153. Hall's 2018 comparable sales had final adjusted prices ranging from $97,607 to $115,150 per room, with an average price of $105,248 per room. He chose an indicated value of $100,000 per room and applied that to the Hotel's 241 rooms, resulting in an indicated value of $24,100,000. Because the prices of the comparable sales Hall used included the contributory value of personal property (FF&E), he made a specific line-item deduction of $5,420,000 to derive an opinion of the Hotel's real property.[12] After removing the value of the Hotel's FF&E, Hall concluded to an indicated value of $18,700,000 (rounded) as of January 1, 2018. Hall noted that all of his comparable sales were chain-affiliated at the time of sale and would incur management fees and franchise fees just like the Hotel. Under what Hall referred to as the Rushmore approach,[13] those expenses remove the increment of value contributed by the operating business, making additional

[12] Findings regarding how Hall arrived at his $5,420,000 personal property deduction are contained in the section addressing his income capitalization approach for 2018.

[13] The Rushmore approach is a colloquial name for what *The Appraisal of Real Estate* calls the Management Fee Approach. THE APPRAISAL OF REAL ESTATE 676-677 (15th ed. 2020).

deductions or adjustments unnecessary.[14] *Tr. at 359-360, 547, 551-552; Resp't Ex. A at 165-170.*

iii. Income Capitalization Approach

154. Hall also completed an income capitalization approach using both the direct capitalization and the Discounted Cash Flow ("DCF") methods. He calculated room revenue and expense information based on CBRE, HOST, and 2017-2023 historical data for the Hotel. Hall chose applicable full-service data categories from both CBRE and HOST to draw income and expense information. Among the categories he drew from were region, urban, small metro, upscale, between 150-300 rooms, and an ADR ranging from $125 to $250. *Tr. at 57, 553-558; Resp't Ex. A at 171-174.*

155. Based on percentage of total revenue, revenue per occupied room night, and revenue per room, Hall calculated the following categories and annual income projections from each source: rooms ($6,208,655); food and beverage ($1,900,000); other operated departments ($350,000); and rentals and other income ($100,000). This results in a total projected income of $8,558,655. Hall then estimated the following Departmental Expenses, Undistributed Operating Expenses, and Replacement Reserves:

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[14] In December 2022, Hall completed an appraisal for a hotel in Monroe County in which he adjusted for the contributory value of brand affiliation and business enterprise. *Pet'r Ex. P-9* at 138-139, 142-143. He explained that it was difficult to support his adjustments with market data because:

- Buyers and sellers do not price these components individually when negotiating a sale price for an operating hotel;
- There is no established market for the sale or exchange of these value components individually; and
- The contributory values of these components tend to vary widely from property to property, even among similarly-branded hotels.

Id. at 102. Hall also expressed concern that his adjustments resulted in an undervaluation of the real property, and we found his adjustments for intangibles lacked support and concluded that they likely led him to undervalue the property. *Resp't Ex. A-F* at 385; *Resp't Ex. A-G* ¶ 149. Hall testified that our decision in that case affected how he prepared his appraisal for this case. *Tr.* at 785-786. In April 2021, Hall completed an appraisal for the Hotel for the January 1, 2018, assessment date and made adjustments to remove value attributable to intangibles. *Pet'r Ex. P-8* at 132-135.

Expense Type	Projected Annual Expense
Rooms	$1,490,077
Food & Beverage	$1,425,000
Other Op. Depts.	$210,000
Admin. & General	$684,692
Information & Telecommunications Systems	$128,380
Sales & Marketing	$813,072
Property Operations & Maintenance	$342,346
Utilities	$433,800
Management Fees	$273,877
Insurance	$96,400
Replacement Reserves	$171,173

Hall projected his replacement reserves to be 2% of total income, which was slightly below the average rate shown by national market data from a 2017 HOST study. Deducting the expense estimates from the projected income produced a final NOI of $2,489,837, which was about [redacted] more than the Hotel's actual NOI for 2017. Hall noted that because the Hotel commenced operations in February of 2017, the historical data reported for 2017 may not fully reflect the income and expense totals that would be expected for a full calendar year. *Tr. at 558-572; Resp't Ex. A at 173-184.*

156. For his direct capitalization method, Hall chose four sources from which to derive his direct capitalization rates: comparable sales, CoStar Analytic Survey, investor surveys, and the band-of-investment method. Hall identified four comparable sales of hotels, three full-service and one select service, with sale dates ranging from September 2016 to December 2019. Two of the sales occurred in Indiana, with one in Michigan and one in Wisconsin. The capitalization rates for the sales ranged from 6.20-9.76% and had an overall average of 8.28%. Hall then reviewed the CoStar Analytic Survey of capitalization rates for upscale Indiana hotels with between 100 and 300 rooms. The rates showed a high of 8.77% and low of 8.57%. He then reviewed investor surveys from PwC Real Estate and CBRE North America which reported rates of 7.43% and 8.25% for

2018. Lastly, Hall conducted a band-of-investment review using data on full-service lodging facilities from Realty Rates.com that resulted in an indicated capitalization rate of 7.91%. His research results averaged 8.23%, and he concluded to a rate of 8.00%. After loading the 3.39% tax rate from 2018, Hall's final capitalization rate was 11.39%. Hall applied his 11.39% direct capitalization rate to his NOI projection of $2,489,837, producing an indicated value of $21,900,000 (rounded). *Tr. at 573-577; Resp't Ex. A at 182, 185-190.*

157. Due to the Hotel's lack of historical data and developed general assumptions for period, income discount rate, department expenses, undistributed expenses, fixed expenses, and residual analysis factors Hall performed a discounted cash flow analysis in addition to the direct capitalization method. Using PwC data for full-service lodging, he determined a loaded discount rate of 13.72% and a loaded residual cap rate of 11.74%. Hall's DCF analysis resulted in an indicated value of $23,250,000 (rounded). *Tr. at 577-580; Resp't Ex. A at 191-194.*

158. Hall used the Rushmore approach to account for the contributory value of the Hotel's business enterprise/intangible assets. Under the Rushmore approach, the increment of value created by the operating business can be extracted by deducting the management fees and franchise fees as expenses from the NOI. In developing his NOI projection discussed above, Hall therefore applied market-level expense deductions for management fees and sales & marketing (which included the franchise fee) to remove the value of those intangible assets. *Resp't Ex. A at 180-181, 184, 195, 200.*

159. Hall used four methods of estimating personal property value: MVS total project cost; MVS total building cost; HVS cost per room; and cost from a comparable hotel. His methods resulted in the following respective per room values: $19,354, $19,250, $31,154, and $27,247. From these values he concluded to a personal property replacement cost of $25,000 per room. Hall estimated the depreciable age at 1-6 years from January 1, 2018, through January 1, 2023, and concluded to a depreciated personal property value (FF&E)

of $5,420,000 for 2018. *Tr. at 580-584; Resp't Ex. A at 195-200.*

160. Hall reconciled the indicated values from his direct capitalization and DCF analyses to $23,000,000. After deducting the $5,420,000 in FF&E, Hall concluded to an indicated value of $17,600,000 (rounded) as of January 1, 2018. *Tr. at 579-580; Resp't Ex. A at 195.*

iv. Reconciliation and Conclusion of Value for 2018

161. Hall believed the cost approach to be highly relevant based on the Hotel's age and condition. While he acknowledged that the market would not give the sales comparison approach primary weight, he felt it made sense to develop it as a test for reasonableness. He also noted that he had sufficient comparable sales data and that several of his comparable sales were pretty similar to the Hotel in terms of competitive position and amenities. As for the income approach, Hall noted that although it was probably the most-used approach by market participants, only having one year of the Hotel's historical operating income made developing reliable projections of its future operating performance tougher. He ultimately gave similar weight to his value conclusions from all three approaches (cost at $19,400,000; sales comparison at $18,700,000; and income capitalization at $17,600,000) and reconciled to a retrospective market value-in-use of $18,800,000 as of January 1, 2018. *Tr. at 584-586; Resp't Ex. A at 201-202.*

162. As discussed in more detail below, we find that Hall presented a reliable opinion of the Hotel's market value-in-use as of January 1, 2018. He is a highly qualified appraiser with significant experience appraising hotel properties, and he developed his appraisal in compliance with USPAP. Additionally, Hall generally relied on appropriate market data in developing the three valuation approaches and provided reasonable explanations for how he addressed the contributory value of tangible personal property and intangible assets.

c. Hall's 2019 Appraisal

i. Cost Approach

163. In his cost approach for 2019, Hall relied on the same four sales from his 2018 cost approach to develop an opinion of the Hotel's land value. He made no adjustments for property rights, financing terms, conditions of sale, physical characteristics, or utilities. Hall made upward market conditions adjustments of 4%, 6%, 12%, and 15% to Sales 1-4, respectively. He also made upward location adjustments of 20% to Sales 2 and 4, an upward visibility/orientation adjustment of 20% to Comparable 3, and an upward zoning adjustment of 20% to Sale 2. After adjustment, Hall's comparable land sales had prices ranging from $15.75/SF to $23.21/SF, and an average price of $19.98/SF. He selected an indicated value of $19.50/SF and applying that value to the Hotel's 60,113 SF of land produced an indicated land value of $1,170,000 (rounded) for 2019. *Resp't Ex. B at 118-131.*

164. To value the building improvements, Hall used the same five methods he relied on for 2018: MVS Calculator, MVS Cost per Room, historical cost (trended), Cushman & Wakefield, and cost comparables. In his MVS Calculator method, he again applied 5% adjustments for indirect costs and entrepreneurial incentive not accounted for by MVS. After his indirect and entrepreneurial incentive adjustments, Hall estimated the total replacement cost new for the building and canopy was $23,975,624. He calculated the cost of the site improvements (with the same 5% added for indirect and entrepreneurial incentive costs) to be $105,258. Hall concluded to a total replacement cost new for the Hotel of $24,080,882, or $99,484/room. *Resp't Ex. B at 132-138.*

165. Hall followed the same processes for the remaining four methods, resulting in total cost per room estimates of $75,742 using MVS Cost per Room; $72,948 using historical cost (trended); $63,440 using Cushman & Wakefield; and $136,971 using cost comparables. Hall reconciled his five cost per room estimates to $80,000/room, resulting in a total cost

of $19,280,000 for the Hotel's 241 rooms. He once again used the MVS Calculator to estimate the value of the site improvements and concluded to a replacement cost new of $105,258. Hall applied two years of depreciation to the building and site improvements based on their age, and he made the same observations concerning deferred maintenance and obsolescence. After accounting for depreciation, the total depreciated replacement cost for the building and site improvements was $18,600,000 (rounded). Hall then added his land value of $1,170,000 to his depreciated replacement cost of $18,600,000 and concluded to an indicated value for the Hotel of $19,800,000 (rounded) as of January 1, 2019. Additionally, he again noted that the cost approach inherently excludes any value attributable to the Hotel's business enterprise or intangible assets. *Tr. at 588; Resp't Ex. B at 139-150.*

ii. Sales Comparison Approach

166. Hall applied the same principles and criteria for locating comparable properties for his 2019 analysis. He selected six comparable properties—the four sales he used in 2018 plus the two sales described below:

- Sale 5 (1230 N. Martin Luther King Jr. Drive, Milwaukee, WI) - a 92,400 SF, 160-room Aloft-flagged hotel built in 2009 and purchased in November 2019 for $286.69/SF or $165,563/room. The hotel includes a self-serve market, bar, business and fitness centers, indoor pool, and 5,075 SF of meeting space.
- Sale 6 (501 Gateway Blvd., Chesterton, IN) - a 71,248 SF, 120-room, Hilton Garden Inn-flagged hotel built in 2001 and purchased in December 2019 for $185.27/SF or $110,000/room. Amenities include a breakfast/dining area with limited lunch and dinner menus, fitness and business centers, indoor pool with whirlpool, and 2,488 SF of meeting space. It sold at a cap rate of 9.76% and included $264,000 of personal property.

Hall used the same adjustment criteria and standards. He made no adjustments for property rights, financing terms, conditions of sale, physical characteristics, or economic characteristics. Hall again applied market conditions adjustments to each comparable sale at an average annual rate of 3%, resulting in adjustments of 6.8%, 5.5%, 4.2%, 2.0%, -2.6%, and -2.8% to Sales 1-6, respectively. He made no location adjustment to Sale 2,

and applied adjustments of -10%, -5%, -15%, -30%, and 5% to Sales 1, 3, 4, 5, and 6, respectively. He made -5% and -10% adjustments to Comparables 5 and 6 for size. Hall also applied effective age/condition adjustments calculated by applying the same 1% per year of difference between the effective ages of each of the comparable sales and the Hotel, resulting in upward effective age/condition adjustments of 13%, 18%, 23%, 8%, and 16% to Sales 1-6, respectively. And he once again provided information on four secondary sales. *Tr. at 533-537; Resp't Ex. B at 151-169.*

167. Hall's 2019 comparable sales had final adjusted prices ranging from $99,656 to $124,027 per room, with an average price of $111,858 per room. He chose an indicated value of $105,000 per room and applied that to the Hotel's 241 rooms, resulting in an indicated value of $25,305,000. He then removed the value of the Hotel's FF&E in the amount of $4,820,000[15] for the same reasons given in his 2018 appraisal and concluded to an indicated value of $20,500,000 (rounded) as of January 1, 2019. *Tr. at 588; Resp't Ex. B. at 170.*

iii. Income Capitalization Approach

168. Hall once again used the direct capitalization and the DCF methods to develop his income capitalization approach, and he calculated room revenue and expense information using the same resources, standards, and types of data as he had for 2018. Hall projected room income of $6,586,656, food and beverage income of $1,800,000, income from other operated departments of $600,000, and rentals and other income of $80,000, for a total income projection of $9,066,656. Hall then estimated the following Departmental Expenses, Undistributed Operating Expenses, and Replacement Reserves:

[15] Findings regarding how Hall arrived at his $4,820,000 personal property deduction are contained in the section addressing his income capitalization approach for 2019.

Expense Type	Projected Annual Expense
Rooms	$1,580,797
Food & Beverage	$1,350,000
Other Operated Departments	$360,000
Admin. & General	$725,332
Information & Telecommunications Systems	$136,000
Sales & Marketing	$861,332
Property Operations & Maintenance	$362,666
Utilities	$445,850
Management Fees	$290,133
Insurance	$98,810
Replacement Reserves	$181,333

Deducting the expense estimates from the projected income produced a final NOI of $2,674,402. *Resp't Ex. B at 171-184.*

169. Hall used the same four sources to derive his direct capitalization rates as in his direct capitalization method for 2018: comparable sales, CoStar Analytic Survey, investor surveys, and the band-of-investment method. He also used the same four comparable hotel sales and their overall average of 8.28%, along with the same CoStar Analytic Survey that reported a high of 8.77% and low of 8.57%. He then reviewed investor surveys from PwC Real Estate and CBRE North America which reported rates of 7.43% and 8.31% for 2019. Finally, Hall conducted a band-of-investment review using data for full-service lodging facilities from Realty Rates.com that resulted in an indicated capitalization rate of 8.03%. His research results averaged 8.11%, and he concluded to a rate of 8.10%. After loading the 3.36% tax rate from 2019, Hall's final capitalization rate was 11.46%. Hall applied his 11.46% direct capitalization rate to his NOI projection of $2,674,402, producing an indicated value of $23,300,000 (rounded). *Resp't Ex. B at 182, 185-190.*

170. Hall then performed a discounted cash flow analysis and again used PwC data for full-

service lodging to determine a loaded discount rate of 13.06% and a loaded residual cap rate of 11.61%. Hall's DCF analysis resulted in an indicated value of $25,740,000. *Tr. at 588; Resp't Ex. B at 191-194.*

171. Hall continued to employ the Rushmore approach to account for the contributory value of the Hotel's business enterprise/intangible assets. And he used the same four methods to estimate the value of the Hotel's personal property: MVS total project cost; MVS total building cost; HVS cost per room; and cost from a comparable hotel. His methods resulted in the following respective per room values: $20,109, $20,000, $31,154, and $27,247. From these values he concluded to a personal property replacement cost of $25,000 per room. Hall relied on a depreciable age of two years and concluded to a depreciated personal property (FF&E) value of $4,820,000 for 2019. *Resp't Ex. B at 195-200.*

172. Hall reconciled the indicated values from his direct capitalization and DCF analyses to $24,500,000. After deducting $4,820,000 in FF&E, Hall concluded to an indicated value of $19,700,000 (rounded) as of January 1, 2019. *Tr. at 588; Resp't Ex. B at 195.*

iv. Reconciliation and Conclusion of Value for 2019

173. Hall once again found all three approaches to value applicable and supported by market data. He gave similar weight to his value conclusions from all three approaches (cost at $19,800,00; sales comparison at $20,500,000; and income capitalization at $19,700,000) and reconciled to a retrospective market value-in-use of $20,000,000 as of January 1, 2019. *Tr. at 588; Resp't Ex. B at 200-202.*

174. As discussed in more detail below, we find that Hall presented a reliable opinion of the Hotel's market value-in-use as of January 1, 2019. He is a highly qualified appraiser with significant experience appraising hotel properties, and he developed his appraisal in compliance with USPAP. Additionally, Hall generally relied on appropriate market data in developing the three valuation approaches and provided reasonable explanations for

how he addressed the contributory value of tangible personal property and intangible assets.

d. Hall's 2020 Appraisal

i. Cost Approach

175. For 2020, Hall once again relied on the same four sales from his 2018 and 2019 cost approaches to develop an opinion of the Hotel's land value. He made no adjustments for property rights, financing terms, conditions of sale, physical characteristics, size, or utilities. Hall made upward market conditions adjustments of 7%, 9%, 15%, and 18% to Sales 1-4, respectively, based on the additional year of age. All of his other adjustments mirrored those in his previous appraisals. After adjustment, Hall's comparable land sales had prices ranging from $16.16/SF to $23.84/SF, and an average price of $20.53/SF. He selected an indicated value of $20.00/SF and applying that value to the Hotel's 60,113 SF of land produced an indicated land value of $1,200,000 (rounded) for 2020. *Resp't Ex. C at 118-131.*

176. Hall continued to use the same five methods to value the building improvements. In his MVS Calculator method, he again applied 5% adjustments for indirect costs and entrepreneurial incentive not accounted for by MVS. After his indirect and entrepreneurial incentive adjustments, Hall estimated the total replacement cost new for the building and canopy was $24,215,374. He calculated the cost of the site improvements (with the same 5% added for indirect and entrepreneurial incentive costs) to be $106,321. Hall concluded to a total replacement cost new for the Hotel of $24,321,695, or $100,479/room. *Resp't Ex. C at 132-138.*

177. Hall followed the same processes for the remaining four methods, resulting in total cost per room estimates of $75,742 using MVS Cost per Room; $82,723 using historical cost (trended); $63,562 using Cushman & Wakefield; and $136,971 using cost comparables. Hall reconciled his five cost per room estimates to $81,000/room, resulting in a total cost

of $19,521,000 for the Hotel's 241 rooms. He once again used the MVS Calculator to estimate the value of the site improvements and concluded to a replacement cost new of $106,321. After accounting for depreciation, the total depreciated replacement cost for the building and site improvements was $18,440,000 (rounded). Hall then added his land value of $1,200,000 to his depreciated replacement cost of $18,440,000 and concluded to an indicated value for the Hotel of $19,600,000 (rounded) as of January 1, 2020. And he once again noted that the cost approach inherently excludes any value attributable to the Hotel's business enterprise or intangible assets. *Tr. at 588-589; Resp't Ex. C at 139-150.*

ii. Sales Comparison Approach

178. Hall applied the same principles and criteria for locating comparable sale properties for his 2020 analysis, and he ultimately used the same six comparable properties from his 2019 appraisal. Applying the same adjustment criteria and standards, he made no adjustments for property rights, financing terms, conditions of sale, or economic characteristics. Hall again applied market conditions adjustments to each comparable sale at an average annual rate of 3%, resulting in adjustments of 9.8%, 8.5%, 7.2%, 5.0%, 0.4%, and 0.2% to Sales 1-6, respectively. He applied the same location and size adjustments but added a 5.0% adjustment for physical characteristics to Sale 6 due to its lack of a bar and restaurant. Hall then applied effective age/condition adjustments of 1% per year, resulting in upward adjustments of 12%, 17%, 22%, 7%, 7%, and 15% to Sales 1-6, respectively. He also provided information on the same four secondary sales once again. *Resp't Ex. C at 151-169.*

179. Hall's 2020 comparable sales had final adjusted prices ranging from $101,656 to $126,753 per room, with an average price of $111,858 per room. He chose an indicated value of $110,000 per room and applied that to the Hotel's 241 rooms, resulting in an indicated value of $26,510,000. He removed the value of the Hotel's FF&E in the amount of $4,220,000[16] based on the same reasons given in the two prior years'

[16] Findings regarding how Hall arrived at his $4,220,000 personal property deduction are contained in the section addressing his income capitalization approach for 2020.

appraisals and concluded to an indicated value of $22,300,000 (rounded) as of January 1, 2020. *Tr. at 589; Resp't Ex. C at 170.*

iii. Income Capitalization Approach

180. As in prior years, Hall completed an income capitalization approach using both the direct capitalization and the DCF methods, and he calculated room revenue and expense information using the same resources, standards, and criteria as he had for 2018 and 2019. Hall projected room income of $6,965,415, food and beverage income of $1,800,000, income from other operated departments of $800,000, and rentals and other income of $60,000, for a total income projection of $9,625,415. Hall then estimated the following Departmental Expenses, Undistributed Operating Expenses, and Replacement Reserves:

Expense Type	Projected Annual Expense
Rooms	$1,671,700
Food & Beverage	$1,350,000
Other Operated Departments	$480,000
Admin. & General	$770,033
Information & Telecommunications Systems	$144,381
Sales & Marketing	$914,414
Property Operations & Maintenance	$385,017
Utilities	$457,900
Management Fees	$308,013
Insurance	$101,220
Replacement Reserves	$192,508

Deducting the expense estimates from the projected income produced a final NOI of $2,850,228. *Resp't Ex. C at 171-184.*

181. Hall used the same four sources to derive his direct capitalization rates as in his direct capitalization method for both 2018 and 2019. He also used the same four comparable hotel sales and their overall average of 8.28%, along with the same CoStar Analytic

Survey that reported a high of 8.77% and low of 8.57%. He then reviewed investor surveys from PwC Real Estate and CBRE North America which reported rates of 7.38% and 8.31% for 2020, respectively. Finally, Hall conducted a band-of-investment review using data for full-service lodging facilities from Realty Rates.com that resulted in an indicated capitalization rate of 7.67%. His research results averaged 8.08%, and he concluded to the same 8.10% rate as in 2019. After loading the 3.32% tax rate from 2020, Hall's final capitalization rate was 11.42%. Hall applied his 11.42% direct capitalization rate to his NOI projection of $2,850,228, producing an indicated value of $25,000,000 (rounded). *Resp't Ex. C at 182, 185-190.*

182. Next, Hall performed a discounted cash flow analysis and again used PwC data for full-service lodging to determine a loaded discount rate of 13.27% and a loaded residual cap rate of 11.57%. Hall's DCF analysis resulted in an indicated value of $24,420,000. *Resp't Ex. C at 191-194.*

183. Hall again employed the Rushmore approach to account for the contributory value of the Hotel's business enterprise/intangible assets. And he used the same four methods to estimate the value of the Hotel's personal property: MVS total project cost, MVS total building cost, HVS cost per room, and cost from a comparable hotel. His methods resulted in the following respective per room values: $20,360, $20,250, $29,082, and $27,247. From these values he once again concluded to a personal property replacement cost of $25,000 per room. Hall relied on a depreciable age of three years and concluded to a depreciated personal property (FF&E) value of $4,220,000 for 2020. *Resp't Ex. C at 195-200.*

184. Hall reconciled the indicated values from his direct capitalization and DCF analyses to $24,500,000. After deducting $4,220,000 in FF&E, Hall concluded to an indicated value of $20,300,000 (rounded) as of January 1, 2020. *Resp't Ex. C at 195.*

iv. Reconciliation and Conclusion of Value for 2020

185. Hall once again found all three approaches to value applicable and supported by market data. He gave similar weight to his value conclusions from all three approaches (cost at $19,600,000; sales comparison at $22,300,000; and income capitalization at $20,300,000) and reconciled to a retrospective market value-in-use of $20,500,000 as of January 1, 2020. *Tr. at 589; Resp't Ex. C at 201-202.*

186. As discussed in more detail below, we find that Hall presented a reliable opinion of the Hotel's market value-in-use as of January 1, 2020. He is a highly qualified appraiser with significant experience appraising hotel properties, and he developed his appraisal in compliance with USPAP. Additionally, Hall generally relied on appropriate market data in developing the three valuation approaches and provided reasonable explanations for how he addressed the contributory value of tangible personal property and intangible assets.

e. Hall's 2021 Appraisal

187. Within his 2021 market segmentation analysis, Hall included an assessment, study, and conclusion regarding the impact of Covid-19 on the lodging industry and the Hotel. He noted favorable increases in occupancy and ADRs over the ten years preceding Covid but cited to data published by Cushman & Wakefield indicating a 30% drop in lodging demand during 2020, with a rebound beginning in 2021. Hall also cited data from STR showing a reduction in occupancy and increases in ADR and RevPAR from December 2019 to December 2021. CBRE indicated the same slowing and recovery pattern and projected a 10-20% value impairment for upscale hotels as a result of Covid. Hall also listed HVS data which calculated an average value change of -23% for upscale hotels during the period. Hall concluded that a -15 to -25% adjustment to value was indicated by the data. *Tr. at 589-593; Resp't Ex. D at 36-40.*

i. Cost Approach

188. For 2021, Hall continued to rely on the same four sales that he used to develop an opinion of the Hotel's land value in his appraisals for the prior years on appeal. He made no adjustments for property rights, financing terms, conditions of sale, physical characteristics, size, or utilities. Hall made upward market conditions adjustments of 10%, 12%, 18%, and 21% to Sales 1-4, respectively, based on the additional year of age. All of his other adjustments mirrored those in his previous appraisals. After adjustment, Hall's comparable land sales had adjusted prices ranging from $16.57/SF to $24.46/SF, and an average price of $21.08/SF. He selected an indicated value of $20.05/SF and applying that value to the Hotel's 60,113 SF of land produced an indicated land value of $1,230,000 (rounded) for 2021. *Resp't Ex. D at 123-136.*

189. Hall continued to use the same five methods to value the building improvements. In his MVS Calculator method, he again applied 5% adjustments for indirect costs and entrepreneurial incentive not accounted for by MVS. After his indirect and entrepreneurial incentive adjustments, Hall estimated the total replacement cost new for the building and canopy was $26,157,641. He calculated the cost of the site improvements (with the same 5% added for indirect and entrepreneurial incentive costs) to be $112,896. Hall concluded to a total replacement cost new for the Hotel of $26,270,537, or $108,538/room. *Resp't Ex. D at 137-143.*

190. Hall followed the same processes for the remaining four methods, resulting in total cost per room estimates of $78,388 using MVS Cost per Room; $87,013 using historical cost (trended); $66,856 using Cushman & Wakefield; and $136,971 using cost comparables. Hall reconciled his five cost per room estimates to $86,000, resulting in a total cost of $20,726,000 for the Hotel's 241 rooms. Hall found no locational obsolescence or deferred maintenance. However, based on the onset of Covid and its market effects, he cited a loss of potential rent as a source of external obsolescence. Hall calculated his external obsolescence adjustment by looking at the difference between market rent and equilibrium rent and concluded to an adjustment of $5,540,000. Hall then deducted the

obsolescence and four years of depreciation for both building and site improvements, resulting in a total depreciated replacement cost of $13,620,000 (rounded). Hall then added his land value of $1,230,000 to his depreciated replacement cost of $13,620,000 and concluded to an indicated value for the Hotel of $14,900,000 (rounded) as of January 1, 2021. He also noted once again that the cost approach inherently excludes any value attributable to the Hotel's business enterprise or intangible assets. *Tr. at 593; Resp't Ex. D at 144-156.*

ii. Sales Comparison Approach

191. Hall applied the same principles and criteria for locating comparable sale properties for his 2021 analysis, and he ultimately selected the same six comparable properties from his 2019 and 2020 appraisals. Applying the same adjustment criteria and standards, he made no adjustments for property rights, financing terms, conditions of sale, or economic characteristics. Hall again applied market conditions adjustments to each comparable sale at an average annual rate of 3% and also accounted for the effects of Covid, resulting in adjustments of -15.2%, -16.5%, -17.8%, -20.0%, -24.6%, and -24.8% to Sales 1-6, respectively. He applied the same location and size adjustments but added a 5.0% adjustment for physical characteristics to Sale 6 due to its lack of a bar and restaurant. Hall then applied effective age/condition adjustments of 1% per year, resulting in upward adjustments of 11%, 16%, 21%, 6%, 6%, and 14% to Sales 1-6, respectively. And he again provided information on the same four secondary sales. *Resp't Ex. D at 157-175.*

192. Hall's 2021 comparable sales had final adjusted prices ranging from $77,283 to $94,301 per room, with an average price of $85,931 per room. He chose an indicated value of $85,000 per room and applied that to the Hotel's 241 rooms, resulting in an indicated value of $20,485,000. He removed the value of the Hotel's FF&E in the amount of $3,760,000[17] for the same reasons given in his prior years' appraisals and concluded to an indicated value of $16,700,000 (rounded) as of January 1, 2021. *Tr. at 594; Resp't Ex.*

[17] Findings regarding how Hall arrived at his $3,760,000 personal property deduction are contained in the section addressing his income capitalization approach for 2021.

D. at 176.

iii. Income Capitalization Approach

193. As in prior years, Hall completed an income capitalization approach using both the direct capitalization and the DCF methods, and he calculated room revenue and expense information using the same resources, standards, and criteria he used for 2018, 2019, and 2020. Hall projected room income of $5,551,032, food and beverage income of $1,000,000, income from other operated departments of $600,000, and rentals and other income of $60,000, for a total income projection of $7,211,032. Hall estimated the following Departmental Expenses, Undistributed Operating Expenses, and Replacement Reserves:

Expense Type	Projected Annual Expense
Rooms	$1,332,248
Food & Beverage	$750,000
Other Operated Departments	$360,000
Admin. & General	$576,883
Information & Telecommunications Systems	$108,165
Sales & Marketing	$685,048
Property Operations & Maintenance	$288,441
Utilities	$482,000
Management Fees	$230,753
Insurance	$106,040
Replacement Reserves	$144,221

Deducting the expense estimates from the projected income produced a final NOI of $2,147,233. *Resp't Ex. D at 177-190.*

194. Hall used the same four sources to derive his direct capitalization rates as in his direct capitalization method for 2018, 2019, and 2020. He also used the same four comparable hotel sales and their overall average of 8.28%, along with the same CoStar Analytic Survey that reported a high of 8.77% and low of 8.57%. The investor survey from PwC

reported a rate of 8.05%, while CBRE reported rates ranging from 8.00-9.00%. Finally, Hall's band-of-investment method once again resulted in an indicated capitalization rate of 7.67%. His research results averaged 8.24%, and he concluded to a rate of 8.20%. After loading the 3.34% tax rate from 2021, Hall's final capitalization rate was 11.54%. Hall applied his 11.54% direct capitalization rate to his NOI projection of $2,147,233, producing an indicated value of $18,600,000 (rounded). *Resp't Ex. D at 188, 191-196.*

195. Next, Hall performed a discounted cash flow analysis and again used PwC data for full-service lodging to determine a loaded discount rate of 13.40% and a loaded residual cap rate of 11.99%. Hall's DCF analysis resulted in an indicated value of $20,420,000. *Resp't Ex. D at 197-200.*

196. Hall again employed the Rushmore approach to account for the contributory value of the Hotel's business enterprise/intangible assets. And he used the same four methods to estimate the value of the Hotel's personal property: MVS total project cost, MVS total building cost, HVS cost per room, and cost from a comparable hotel. His methods resulted in the following respective per room values: $21,617, $21,500, $32,584, and $27,247. From these values he concluded a personal property replacement cost of $26,000 per room. Hall relied on a depreciable age of four years and concluded to a depreciated personal property (FF&E) value of $3,760,000 for 2021. *Resp't Ex. D at 202-206.*

197. Hall reconciled the indicated values from his direct capitalization and DCF analyses to $19,000,000. After deducting $3,760,000 in FF&E, Hall concluded to an indicated value of $15,200,000 (rounded) as of January 1, 2021. *Resp't Ex. D at 201.*

iv. Reconciliation and Conclusion of Value for 2021

198. Hall once again found all three approaches to value applicable and supported by market data. He gave similar weight to his value conclusions from all three approaches (cost at $14,900,000; sales comparison at $16,700,000; and income capitalization at $15,200,000)

and reconciled to a retrospective market value-in-use of $16,000,000 as of January 1, 2021. *Tr. at 594; Resp't Ex. D at 207-208.*

199. As discussed in more detail below, we find that Hall presented a reliable opinion of the Hotel's market value-in-use as of January 1, 2021. He is a highly qualified appraiser with significant experience appraising hotel properties, and he developed his appraisal in compliance with USPAP. Additionally, Hall generally relied on appropriate market data in developing the three valuation approaches and provided reasonable explanations for how he addressed the contributory value of tangible personal property and intangible assets.

f. Hall's 2022 and 2023 Appraisals

200. Hall also appraised the Hotel for January 1, 2022, and January 1, 2023. He chose to employ a trending process for both years based on the same considerations and factors. He noted that while the Hotel's market was depressed in 2021 by the effects of Covid, it had begun to rebound in 2022 and 2023. Hall used his retrospective market value-in-use conclusion of $16,000,000 from January 1, 2021, as the starting point for his analysis. He then researched and assembled data for changes in market sale price ("MSP"), RevPAR, and changes in the market capitalization rates ("MCR"). Hall used data from internal surveys, the TREND Report, historical and projected performance values, STR, and CoStar. *Tr. at 594-596; Resp't Ex. D at 210-214, 216-220.*

201. The following table summarizes Hall's sources and trending data for 2022:

Indicator	Source	Market Segment	% Change
MSP	CoStar	Upscale, Indiana 100-300 rooms	-7%
MSP	CoStar	Hotels, Vanderburgh County	-1%
RevPAR	STR	U.S. Hotels, upscale	36%
RevPAR	STR	U.S. Hotels, East North Central	28%

RevPAR	STR	U.S. Hotels, urban	57%
RevPAR	STR	U.S. Hotels, small metro/town	8%
RevPAR	STR	TREND Report, Competitive set	16%
MCR	CoStar	Indiana Hotels, 100-300 rooms	-3%

Resp't Ex. D at 210-215.

202. Hall gave the greatest weight to the analysis of market sale price. He noted that while RevPAR increases and capitalization rate decreases signify higher demand, he believed that market participants were still value-oriented due to their recent Covid -19 market experiences. Hall ultimately applied a trending adjustment of -4% to his concluded value of $16,000,000 from January 1, 2021, resulting in a retrospective market value-in-use of $15,360,000 as of January 1, 2022. *Tr. at 596; Resp't Ex. D at 215.*

203. Hall used the same resources and methods for 2023. His findings are summarized in the following table:

Indicator	Source	Market Segment	% Change
MSP	CoStar	Upscale, Indiana 100-300 rooms	-6%
MSP	CoStar	Hotels, Vanderburgh County	1%
RevPAR	STR	U.S. Hotels, upscale	46%
RevPAR	STR	U.S. Hotels, East North Central	35%
RevPAR	STR	U.S. Hotels, urban	73%
RevPAR	STR	U.S. Hotels, small metro/town	10%
RevPAR	STR	TREND Report, Competitive set	25%
MCR	CoStar	Indiana Hotels, 100-300 rooms	1%

Resp't Ex. D at 216-221.

204. Hall again gave the greatest weight to the analysis of market sale price. He noted that

between 2022 and 2023 demand remained stable while market prices increased by less than 1% and other indicators were mixed. He applied a trending adjustment of -4% to his concluded value of $16,000,000 from January 1, 2021, resulting in a retrospective market value-in-use of $15,360,000 as of January 1, 2023. *Tr. at 596; Resp't Ex. D at 221.*

205. As discussed in more detail below, we find that Hall presented reliable opinions of the Hotel's market values-in-use as of January 1, 2022, and January 1, 2023. He is a highly qualified appraiser with significant experience appraising hotel properties, and he developed his appraisal in compliance with USPAP. And Hall generally supported his trending adjustments with appropriate market data.

g. Summary of Hall's Final Value Conclusions for 2018-2023

206. Hall concluded to the following final values:

Assessment Year	Final Value
2018	$18,800,000
2019	$20,000,000
2020	$20,500,000
2021	$16,000,000
2022	$15,360,000
2023	$15,360,000

Tr. at 584-586, 588-589, 594, 596; Resp't Exs. A, B, and C at 202; Resp't Ex. D at 208, 215, 221.

4. Allen's Review of Hall's 2024 Appraisal

207. Allen provided an oral appraisal review of Hall's September 6, 2024 Appraisal Report, which valued the Hotel for the January 1, 2018 assessment date.[18] Allen stated that Hall's 2021 and 2024 Appraisal Reports for 2018 were similar, however his testimony reviewing the 2024 Appraisal Report represented a new assignment. Allen cited the following concerns with Hall's 2021 Appraisal Report and confirmed that they also applied to Hall's 2024 Appraisal Report:

- Hall's value reflects adoption of the Hotel's above-market ADR and below-market occupancy strategy, not that of a generic hotel as Hall stated in his extraordinary assumptions;
- Hall's cost approach land value is based on sales with no restrictions;
- Hall did not identify external obsolescence based on lower occupancy rates;
- Hall provided no economic data for comparable sale performance to support location and characteristic adjustments;
- Hall's income approach expense data relied on dissimilar, national property data;
- Hall's replacement reserve values were based on operating expenses as opposed to replacement costs;
- Hall's capitalization rate was based on national not local data; and
- Hall provided no analysis of the intangible benefits of the going concern.

Tr. at 797-809.

208. Allen believes that in a transaction involving the sale of a hotel the seller is transferring the brand and employee staff to the buyer, and those attributes constitute intangible assets that should be separately valued. He questioned whether Hall's treatment of the Hotel, as well as the recently opened Hyatt Place, as a generic, upscale, franchised hotel failed to assess demand creation. Allen also questioned Hall's highest and best use analysis because he failed to address the legal restrictions on the Hotel's real estate. Additionally, he questioned Hall's reliance on the KBKG document listing construction costs, which may fail to account for subsidized costs as well as the $10 price paid for the land. Allen also disagreed with Hall's use of Class C average quality for his MVS value assessments

[18] Allen also completed a written review of Hall's April 1, 2021 Appraisal Report, which valued the Hotel as of the January 1, 2018 assessment date. *See Pet'r Ex. 7.* Although HCW entered Hall's April 1, 2021 Appraisal Report into the record, the Assessor did not rely on it as evidence of value.

because in his opinion the Hotel reflects the MVS definition for a Class B structure. *Tr. at 810-828; Pet'r Ex. AI.*

209. Allen criticized Hall for making inconsistent economic adjustments for brand quality in his two sales comparison approaches for 2018. He specifically noted that Sales 1 and 3, which Hall described as upscale, received upward adjustments in his 2021 Appraisal Report but no adjustments in the 2024 Appraisal Report. Allen's research on CoStar also showed different sales prices for Sales 2 and 3 than those Hall relied on. Allen also took issue with the $24,500,000 sale price Hall reported for Sale 4 (2018 sale), noting that after the hotel changed flags from Crowne Plaza to Sonesta it sold for only $7,500,000 in June 2024. Allen was also concerned with the Hall's interpretation of RevPAR values in his income approach and Hall's method of calculating estimated expenses, particularly sales and marketing for which Allen claimed the actual cost was significantly higher. *Tr. at 830-839, 841, 881-882; Pet'r Exs. 12, 13.*

210. Turning to the income capitalization approach, Allen took issue with Hall's use of a 2% replacement reserve because it was lower than the "normal rate" of 4%. Allen also cited his concern with Hall's 2018 occupancy rate because he felt Hall should have adjusted it to account for the ramp up period before the Hotel had reached stabilized occupancy. He also noted that Hall's 8% capitalization rate was less than the cap rates CoStar reported for hotels in southern Indiana, or the average rates RealtyRates.com reported for full-service hotels. Additionally, Allen noted that Hall's FF&E valuation was substantially less than the value reported on the Hotel's personal property returns or the actual cost of replacement. Allen further claimed that Hall's personal property valuation was not consistent with commentary found in USPAP Standards 7 and 8. Allen argued that as much as 35% of the Hotel's value could be attributable to the DoubleTree brand's contribution to room occupancy rates. He also disagreed with Hall's decision to place the greatest weight on the cost and sales comparison approaches. Allen ultimately concluded that Hall's conclusions of market value-in-use were not reliable. *Tr. at 829, 841-853; Resp't Ex. A at 167, 170-171, 186.*

211. Allen conceded that USPAP does not require appraisers to separately value personal property. He also agreed that he had not certified that his own appraisal of the Hotel complied with USPAP but maintained that he complied with USPAP Standards 1, 2, 9, and 10. Allen acknowledged that he had skimmed Hall's 2024 Appraisal Report one time and read it in detail once in the four to five days prior to the hearing. He also conceded that he and Hall used two different valuation strategies but that both are recognized by USPAP and find support within the appraisal community. Finally, Allen agreed that if the Hotel sold, HCW's franchise agreement with DoubleTree would end with the sale and that the buyer would have to apply for and obtain their own flag. *Tr. at 861- 875, 883; Resp't Ex. V.*

212. As discussed in more detail below, we find little merit to any of Allen's criticisms of Hall's individual valuation approaches and we disagree with his ultimate conclusion that Hall's valuations were not reliable.

5. Lesser's Review of Allen's Review of Hall's 2021 Appraisal Report

213. Lesser reviewed Allen's Appraisal Review Report regarding Hall's 2021 Appraisal Report, and certified that his review report was completed in conformity with USPAP. Lesser's review is not a review of Allen's oral appraisal review of Hall's 2024 appraisals. Lesser's primary criticism regarding Allen's review of Hall's original report is what Lesser viewed as a flawed extraordinary assumption—that the value of the real and personal property necessarily includes an intangible brand value measured by increased room sales. An appraisal measures the real and personal property interest, but the intangible brand value that Allen states should be valued using the TAB method inaccurately assumes that there is intangible value that transfers with the property. While Lesser acknowledged that the TAB method exists, he claimed it is largely viewed within the appraisal community as a means to reduce tax liability and that market participants do not value property using this method. *Tr. at 886-887; Resp't Ex. I at 3-4, 18.*

214. Lesser further opined that market participants do not rely on the TAB methodology for isolating, valuing, and removing value for individual components such as franchise value when buying and selling hotel properties. He clarified that "brand" as Allen uses it does not have a separate value, and he viewed any attempt to calculate a brand or franchise value as erroneous. Lesser clarified that attempts to value a franchise as a separate component were contrary to the appraisers' assignment, which was to value the Hotel's market value-in-use. He further noted that as a general principle, the market does not quantify intangible value attributable to a brand or franchise. Lesser concluded that Allen's criticisms were inconsistent with Hall's mission in performing the appraisal, which was to value the market value-in-use of the Hotel, and that his assertion that Hall violated USPAP were unsupported given his use of the Rushmore approach to remove the value of intangible assets. *Resp't Ex. I at 4, 8-11, 14-15.*

215. Because the Assessor did not offer Hall's 2021 Appraisal Report as evidence of value, we find Lesser's review of Allen's review largely irrelevant. To the extent Lesser addressed issues Allen raised that are also applicable to Hall's 2024 Appraisal Report, we find Lesser credibly explained why Allen's criticisms were insufficient to demonstrate that Hall violated USPAP or to show that his valuations were not reliable.

CONCLUSIONS OF LAW AND ANALYSIS

A. BURDEN OF PROOF

216. These appeals span several years during which different statutory regimes governed the burden of proof in assessment appeals. *See* Ind. Code § 6-1.1-15-17.2 (repealed by 2022 Ind. Acts 174, § 32 eff. on passage); Ind. Code § 6-1.1-15-20 (eff. Mar. 21, 2022). Both statutes remove the normal presumption that an assessment is correct and shift the burden of proof to the assessor in cases where the assessment under appeal represents an increase of more than 5% over the prior year's assessment, as last corrected by an assessing official, stipulated to or settled by the taxpayer and the assessing official, or determined by a reviewing authority. I.C. §§ 6-1.1-15-17.2 (a)-(b), -20(a)-(b), (f). And where there

is a failure of proof, both statutes require the assessment to revert to the level last determined for the prior year. I.C. §§ 6-1.1-15-17.2(b), -20(f). Under the first statute, that reversion occurs where the assessor fails to offer probative evidence of the property's true tax value that "exactly and precisely conclude[s]" to the challenged assessment, and the taxpayer fails to show that its proffered assessment is correct. I.C. § 6-1.1-15-17.2(b); *Southlake Ind., LLC v. Lake Cnty. Ass'r ("Southlake II")*, 174 N.E.3d 177, 179-80 (Ind. 2021); *Southlake Ind. LLC v. Lake Cnty. Ass'r ("Southlake III")*, 181 N.E.3d 484, 489 (Ind. Tax Ct. 2021), *review denied.* Under the second statute, the Legislature clarified that the reversion is triggered only where the totality of the evidence does not suffice to prove the property's true tax value. I.C. § 6-1.1-15-20(f).

217. For assessment years 2018-2021, we apply I.C. § 6-1.1-15-17.2 because those appeals were filed with the PTABOA prior to its repeal and I.C. § 6-1.1-15-20 specifically applies to Chapter 15 appeals filed after its effective date of March 21, 2022.[19] For assessment years 2022 and 2023, we apply I.C. § 6-1.1-15-20 because they were filed with the PTABOA after March 21, 2022.

218. While the Hotel's 2018 assessment increased by more than 5% over its 2017 assessment, HCW stipulated that it had the burden of proof for 2018 because the Assessor based the 2018 assessment on new improvements. *See* I.C. § 6-1.1-15-17.2(c)(1) (stating that the burden shift does not apply where the challenged assessment is based on substantial renovations or new improvements). Determining which party has the burden of proof for later years necessarily depends on our determination for the year immediately preceding each of five other years on appeal. We explain how we determined the burden of proof for the later assessment years in our discussion of those years below.

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[19] *Crandall v. Bartholomew County Assessor*, 246 N.E.3d 350 (Ind. Tax Ct. 2024) seems to assume, but does not explicitly hold, that the filing date with the Board determines which statute applies rather than the initial filing with the PTABOA. In contrast, *Orange County Assessor v. Stout*, 996 N.E.2d 871, 873 (Ind. Tax Ct. 2013) held that a prior burden-shifting statute was intended to apply the same burden of proof throughout the entire appeal process. Based on *Stout* and the plain language of Indiana Code § 6-1.1-15-20, we apply Indiana Code § 6-1.1-15-17.2 to appeals filed with the PTABOA prior to March 21, 2022, and Indiana Code § 6-1.1-15-20 to appeals filed with the PTABOA after that date.

B. VALUATION STANDARD

219. We are the trier of fact in property tax appeals, and our charge is to "weigh the evidence and decide the true tax value of the property as compelled by the totality of the probative evidence" before us. I.C. § 6-1.1-15-20(f). Our conclusion "may be higher or lower than the assessment or the value proposed by a party or witness." *Id.* Regardless of which party has the burden of proof, either party "may present evidence of the true tax value of the property, seeking to decrease or increase the assessment." I.C. § 6-1.1-15-20(e).

220. 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). Instead, it is determined under the rules of the Department of Local Government Finance ("DLGF"). Ind. Code § 6-1.1-31-5(a); I.C. 6-1.1-31-6(f). For most real property types, 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." 2021 REAL PROPERTY ASSESSMENT MANUAL at 2.

221. To meet its burden of proof, a party "must present objectively verifiable, market-based evidence" of the property's value. *Piotrowski v. Shelby Cnty. Ass'r*, 177 N.E.3d 127, 132 (Ind. Tax Ct. 2021) (citation omitted). Neither the taxpayer nor the assessor may rely on the mass appraisal "methodology" of the "assessment regulations." *P/A Builders & Devs., LLC v. Jennings Cnty. Ass'r*, 842 N.E.2d 899, 900 (Ind. Tax Ct. 2006). This is because the "formalistic application" of the procedures and schedules from the DLGF's assessment guidelines lacks the market-based evidence necessary to establish a specific property's market value-in-use. *Piotrowski*, 177 N.E.3d at 133.

222. Market-based evidence may include "sales data, appraisals, or other information compiled in accordance with generally accepted appraisal principles." *Peters v. Garoffolo*, 32 N.E.3d 847, 849 (Ind. Tax Ct. 2015). Relevant assessments are also admissible, but arguments that "another property is 'similar' or 'comparable' simply because it is on the same street are nothing more than conclusions. . . [and] do not

constitute probative evidence." *Marinov v. Tippecanoe Cnty. Ass'r*, 119 N.E.3d 1152, 1156 (Ind. Tax Ct. 2019). Finally, the evidence must reliably indicate the property's value as of the valuation date. *O'Donnell v. Dep't of Loc. Gov't Fin.*, 854 N.E.2d 90, 95 (Ind. Tax Ct. 2006). The valuation date is January 1 of each assessment year. Ind. Code § 6-1.1-2-1.5(a); 50 Ind. Admin. Code 27-5-2.

223. These appeals present a difficult valuation question. We are concerned solely with the true tax value of HCW's real property. But hotels normally sell as going concerns, "which can include real property, tangible personal property (such as furniture, fixtures, and equipment, and intangible assets (such as franchise agreements, other business contracts, and business goodwill)." THE APPRAISAL OF REAL ESTATE, *supra*, at 663-64.[20] And "establishing a reasonable allocation of the value opinion among the realty and non-realty components can be challenging." *Id.* at 664.

224. The parties offered appraisals that used different methods for isolating the contributory value of the real property and have essentially asked us to find that only their appraiser's methods were correct. Each party cited cases from various jurisdictions around the country in support of their appraiser's particular methods, but there is no current precedent in Indiana either forbidding or adopting Allen's TAB method or Hall's Rushmore approach. Nor are we convinced that either method inherently runs afoul of Indiana's market value-in-use standard. Furthermore, *The Appraisal of Real Estate* cautions that *all of the methods* for valuing or allocating intangible assets are subject to criticism, and that "[h]ow market participants treat these assets may change over time and may be an unresolved issue." *Id.* at 670. Given the ongoing disagreement within the appraisal community over how to isolate the contributory value of real property when appraising hotels, we focus our analysis on whether the appraisers applied their chosen methods in a manner that produced credible value conclusions rather than whether they used the "correct" method.

[20] We take official notice of this publication. 52 Ind. Admin. Code 4-6-11 (allowing us to take official notice of publications, including any relevant edition of *The Appraisal of Real Estate*) (repealed 2026).

C. 2018 Assessment Year

1. The Assessor's Case

225. As previously discussed, HCW stipulated that it bore the burden of proof for 2018, and it offered Allen's appraisal as evidence of the Hotel's market value-in-use. We conclude, however, that Allen's appraisal is insufficient to support a reduction in the Hotel's 2018 assessment.

a. Cost Approach

226. Allen did not develop a cost approach for any of the years on appeal based on his belief that it suffered from substantial external obsolescence as a result of the significant subsidies that the Hotel's owners received to construct it, coupled with the fact that no buyer or seller would rely on the cost approach as a measure of value. However, we do not find either of Allen's reasons persuasive.

227. *The Appraisal of Real Estate* makes clear that the cost approach is a straightforward allocation method that eliminates the need to even address tangible and intangible property. *Id.* Thus, it seems perfectly suited for an assignment that tasks an appraiser with isolating the contributory value of real property. Additionally, *The Appraisal of Real Estate* states that the cost approach is particularly useful where, like here, the only comparable sales available were sold as going concerns. *Id.* Although *The Appraisal of Real Estate* cautions that the cost approach may have less applicability when significant depreciation exists, that is not the case here given that the Hotel was less than a year old on January 1, 2018. *Id.* And it does not identify external obsolescence as a concern, much less a reason to avoid the approach entirely. *Id.* Furthermore, while both parties' experts agreed that the income approach is the valuation method market participants typically rely on for valuing hotels, *The Appraisal of Real Estate* specifically notes that many appraisers use the cost approach both as a way to determine whether intangible value exists in a going concern and as support for their other valuation methods. *Id.* We

therefore conclude that Allen's decision to forgo developing a cost approach reduces the overall credibility of his appraisal. However, we find that the most relevant approach is the income approach.

b. Sales Comparison Approach

228. Allen did develop a sales comparison approach for 2018. He noted that this approach does not usually serve as a primary indicator of value for income producing properties like the Hotel, but that it can measure the reasonableness of the value indicated by an income approach. The Assessor did not raise any real concerns regarding Allen's sales comparison approach. As we find the income the most relevant approach, we forgo further analysis.

c. Income Capitalization Approach

229. We reach the same conclusion regarding Allen's income capitalization approach for 2018. The only issue the Assessor raised with regard to this approach was Allen's calculation of an overall tax rate of 3.952%. However, we cannot determine whether it accurately reflects the Hotel's tax rate because the record does not contain the corresponding tax statement. That said, we are troubled by Allen's decision to then reduce the overall tax rate by 25% based on nothing more than his belief that 25% of the total business assets are intangible property. As we find both Hall and Allen reached similar valuations under the income approach, and the crux of this case is the exclusion of non-realty assets, we forego further analysis.

d. Allocation of Total Business Assets and Final Real Property Value

230. Even though Allen's sales comparison and income capitalization approaches relied on generally credible baseline data, we conclude that his subsequent attempt to remove the contributory value of tangible personal property and intangible assets fundamentally compromised his final results. This flawed final step led him to conclude to an ultimate opinion of the Hotel's market value-in-use as of January 1, 2018 that is not credible and

is entitled to no weight. While the TAB method he developed may find some general support in *The Appraisal of Real Estate* and within the appraisal industry, we have serious concerns with the specific allocations he made for each of the three categories he identified as needing to be removed to isolate the value of the real estate.

231. We start with his tangible personal property allocation. Allen based his allocation of the Hotel's tangible personal property solely on HCW's Business Tangible Personal Property Returns for the January 1, 2018 assessment date. However, Allen's entire premise is that the Hotel was not feasible, and it overspent on construction. That would necessarily extend to furnishings considered personal property. Under Indiana's market value-in-use standard, HCW was required to use a market value, not actual expenditures, when excluding personal property. We also agree with the Assessor that the true tax value reported on HCW's tax return has no relationship to the tangible personal property's market value-in-use. For 2018, the tangible depreciable personal property's true tax value simply reflected 40% of its adjusted cost, which as the Assessor correctly pointed out is just "a mathematical exercise based on the regulations passed by the DLGF." *See* 50 Ind. Admin. Code 4.2-4-7(a) (explaining that for Indiana property tax purposes the true tax value of tangible personal property is computed by multiplying the adjusted cost of each year's acquisitions in the respective pool by a percentage factor obtained in subsection (b)). Because Allen's [redacted] tangible personal property allocation lacks any market support, we conclude that it is not credible.

232. We now turn to Allen's allocation for the franchise agreement. We begin by noting our concern that his selection of a stabilized occupancy rate of 60% for the hypothetical City Center Hotel is simply too speculative. We are not persuaded that Allen formulated a credible "natural market share" for the Hotel as his baseline. Allen focused on the effect of the specific DoubleTree brand as opposed to the effect of a generic flag. We find this was error, under our market value-in-use system, because it is valuing a particular brand rather than the market. Furthermore, we are bothered by the possibility that the discussions Allen had with the Hotel's management may have improperly influenced

both his selection of an occupancy rate and his determination of the City Center Hotel's ADR by only providing him with a single point of view. We find that Allen's failure to conduct his own analysis of the Hotel's competitive set significantly detracts from his credibility and the reliability of his City Center Hotel analysis.

233. We also agree with the criticisms the Assessor raised regarding Allen's income and expense estimates for the City Center Hotel. While Allen reduced his projection of the City Center Hotel's ADR in comparison to the Hotel, he increased its projected income from Food & Beverage and Other Revenues. He also projected small increases in almost all of its projected expenses. But as Lesser noted in his review of Allen's appraisal, Allen did not explain or support any of the adjustments he made to his income and expense projections for the City Center Hotel. Indeed, Allen appears to have done little more than tweak the income and expense data he developed for the Hotel without reviewing or evaluating any market data from unflagged properties. We therefore conclude that Allen's NOI projection for the hypothetical City Center Hotel is too speculative to support his intangible value allocation.

234. Finally, we also question Allen's decision to apply the same 11.96% loaded capitalization rate to capitalize the City Center Hotel's NOI that he used to value the Hotel. As Lesser pointed out, Allen recognized that his hypothetical City Center Hotel would likely have a higher capitalization rate than the Hotel due to the increased risk associated with an unflagged hotel. Taken together with the speculative nature of Allen's NOI projection, we conclude his use of the same 11.96% capitalization rate produced a value for the City Center Hotel that is completely unreliable. As a result, we conclude that the $6,420,000 in intangible value he allocated for the Hotel's DoubleTree franchise affiliation is not credible.

235. We also find no support for Allen's assembled workforce allocation. He explained that an intangible asset must be specifically identifiable, legally protected, transferable, and evidenced by tangible documentation, with a definable creation and termination event.

But he failed to convince us that the Hotel's workforce meets that definition. Allen did not explain how the Hotel's existing staff, most of whom we infer were at-will employees, are legally protected or transferable upon sale. Nor did he provide any evidence, such as employment contracts, documenting the existence of any of the essential elements contained in his definition of an intangible asset. Furthermore, Allen based his allocation on the actual wages and benefits from all of the Hotel's departments and he relied solely on the Hotel management's estimation of how long it would take to adequately train the staff without checking either against the market. We also find no market support for his 10% adjustment for recruiting, hiring, and supplies related to onboarding. Therefore, we conclude that Allen's $210,000 allocation for the Hotel's assembled workforce is not credible.

e. Conclusion

236. Allen's attempt to remove the contributory value of tangible personal property and intangible assets led him to conclude to an opinion of the Hotel's market value-in-use as of January 1, 2018, that we do not find credible. We also note that over the course of the hearing, Allen had to make numerous corrections, both general and mathematical, to various values contained within his Appraisal Report for 2018. Those corrections reveal a lack of care and attention to detail that we conclude further detracts from the overall credibility of his appraisal.

237. For the reasons stated above, we conclude that under the preponderance of the evidence standard, Allen's concluded value of $11,370,000 is not credible evidence of the Hotel's market value-in-use as of January 1, 2018. Consequently, HCW has failed to make a case supporting a reduction to the Hotel's 2018 assessment.

2. The Assessor's Case

238. We now turn to the Assessor's case in which he offered Hall's appraisal as evidence of the Hotel's value as of January 1, 2018. Following our review, we conclude that it

provides credible evidence of the Hotel's market value-in-use and is sufficient to support an increase in its 2018 assessment.

239. Before getting into its criticisms of Hall's three valuation approaches, HCW argued that Hall lacks a foundational, experience-based understanding of hotel valuation. However, the record shows that Hall has been the primary appraiser in the appraisal of approximately 100 hotels over the past 10 years, twelve of which were for property tax purposes. He also is a member of Integra's specialty practice group focusing on hotel valuation. Additionally, we note that HCW did not object to Hall being recognized as an expert in hotel valuation. We therefore find no merit in HCW's argument.

a. Cost Approach

240. Unlike Allen, Hall developed all three generally accepted appraisal approaches, including the cost approach. While there was some disagreement among the experts regarding the applicability of the cost approach to hotels, Hall credibly explained that it was a good appraisal method for the Hotel due to its age (less than 1 year old on the date of value) and the access he had to a significant amount of construction cost information and comprehensive MVS data. Hall also aptly noted that unlike the other two valuation approaches, the cost approach inherently excluded any value attributable to the Hotel's personal property, business enterprise value, and intangible assets.

241. Although HCW attempted to fault Hall for not knowing the Hotel's actual cost of construction, we note that the historical cost data Hall reviewed was only one of five sources he used to value the building improvements. HCW also complained that Hall's value conclusion does not reflect the Hotel's actual development costs. However, Hall was attempting to develop an estimated replacement cost for the Hotel using market data, not determine the actual cost HCW paid to build it (with or without public subsidies).

242. Allen also raised two issues in his verbal review of Hall's cost approach that need mention. First, Allen cited his concern that Hall based his land valuation on sales with no

restrictions. However, Hall acknowledged that the Hotel was subject to a restrictive covenant requiring that it be used solely for operation of a franchised, full-service hotel for 20 years, and HCW failed to offer any convincing evidence showing that Hall's conclusion that it had no material impact on value was wrong. Similarly, Allen also noted his disagreement with Hall's use of Class C average quality category within his MVS Calculator and MVS Cost per Room methods. But Allen's opinion that the MVS definition for a Class B structure better reflects the Hotel is just that—his opinion. *See Stinson v. Trimas Fasteners, Inc.*, 923 N.E.2d 496, 502 (Ind. Tax Ct, 2010) ("The valuation of property is the formulation of an opinion; it is not an exact science.") And we conclude Hall's selection was reasonable given the Hotel's attributes. After review, we conclude that Hall's cost approach produced a credible valuation of the Hotel for 2018.

b. Sales Comparison Approach

243. Hall also developed a sales comparison approach for 2018. HCW primarily criticized what it described as Hall's shifting view on whether hotels sell as going concerns that include intangible assets. It pointed to an appraisal Hall completed in December 2022 for a hotel in Monroe County in which he adjusted for the contributory value of brand affiliation and business enterprise. But in the same report, Hall explained that it was difficult to support his adjustments with market data because:

- Buyers and sellers do not price these components individually when negotiating a sale price for an operating hotel;
- There is no established market for the sale or exchange of these value components individually; and
- The contributory values of these components tend to vary widely from property to property, even among similarly-branded hotels.

Furthermore, as the Assessor noted, Hall expressed concern that his adjustments resulted in an undervaluation of the real property. Although we adopted Hall's opinions of value in our Final Determination, we found his adjustments for intangibles lacked support and concluded that they likely led him to undervalue the property. *Kinser Grp. II, LLC v. Monroe Cnty. Ass'r,* Petition Nos. 53-005-21-1-4-00741-21, *et al.*, ¶¶ 114-115, 147-150 (Ind. Bd. Tax Rev. Feb. 20, 2024).

244. HCW also highlighted the fact that Hall made similar adjustments to remove value attributable to intangibles in his original Appraisal Report valuing the Hotel for the January 1, 2018 assessment date. But Hall completed that appraisal more than two years before we issued our decision in *Kinser.* And Hall testified that our decision in *Kinser* affected how he prepared his current Appraisal Report for 2018. Thus, while we recognize that Hall changed course for this assignment, we conclude his decision to do so was reasonable and not a result-driven decision as HCW claimed.

245. HCW challenged Hall's failure to make a deduction under the sales comparison approach for the value of the franchise brand. *See* THE APPRAISAL OF REAL ESTATE, *supra*, at 668-669 (explaining that in situations where real property rarely sells independently from personal and intangible property, the sales prices of comparable sales often cannot be reliably allocated, and the sales comparison approach may only provide a value indication for the total property without allocation). Hall argued that his sales comparison approach was consistent with the principles of the Rushmore Method's treatment of intangibles, and no further deduction was necessary. Neither Hall nor Allen applied a specific deduction to their sales comparison approach. Allen came to a concluded value based on both approaches and then applied the TAB method. Hall's sales comparison approach may not have been sufficient to establish a valuation that excluded all intangibles, but we cannot find that Hall erred in his analysis. We find Hall's sales comparison approach was an appropriate component of his overall valuation.

246. Beyond its high-level challenges regarding intangible property value, HCWs only other

real criticism of Hall's sales comparison approach was that his adjustments tended to move toward a higher indicated value. But the direction of Hall's adjustments has no bearing on whether they were appropriate, and Hall provided sufficient support for them. Nor are we concerned that Hall applied different adjustments than in prior reports, particularly when Allen likewise chose not to make similar adjustments in his own analysis. Appraisers must be able to re-evaluate how they approach a particular assignment as their understanding of the underlying appraisal theories changes over time as Hall did here.

247. We agree with Hall's decision to develop the sales comparison analysis as a test for reasonableness and to consider it as part of his final reconciliation. And we find his sales comparison approach ultimately supports his final conclusion of value for 2018.

c. Income Capitalization Approach

248. We now turn to HCW criticisms of Hall's income capitalization approach, which we view as a direct challenge to the validity of the Rushmore Method. The Rushmore Method "is based on the theory that once the revenue attributable to intangible assets is deducted, all other remaining income is attributable to the real property and other tangible assets." *Id.* at 676-677. As detailed in our findings of fact above, we find that Hall appropriately applied the Rushmore Method.

249. We find that HCW did not establish through any evidence of its own that Hall's adjustments failed to remove the contributory value of the Hotel's intangible assets. We therefore conclude that Hall's use of the Rushmore Method was appropriate and helped him develop a credible valuation for the Hotel's real property.

250. That leaves a handful of minor issues Allen raised during his oral review of Hall's income approach. First, Allen took issue with Hall's use of a 2% replacement reserve because it was lower than the "normal rate" of 4%. However, Hall properly based his rate on market data, and the fact that Allen relied on different data and selected a

different rate for use in his own income approach does not invalidate Hall's decision.

251. Allen also cited his concern with Hall's 2018 occupancy rate because he felt Hall should have adjusted it to account for the ramp up period before the Hotel had reached stabilized occupancy. We disagree. Allen thought that it would take the Hotel around two years to reach stabilized occupancy and subtracted a stabilization cost of $331,958. But he did not cite to any authority requiring such an adjustment, nor are we aware of any.

252. Finally, Allen also criticized the fact that Hall's 8% capitalization rate was lower than the cap rates CoStar reported for hotels in southern Indiana, or the average rates RealtyRates.com reported for full-service hotels. But we fail to see the problem. Hall reviewed and developed six different sources of cap rate data, and he selected a cap rate within the range of rates reflected by his data. The fact that Allen might choose to rely more heavily on those two particular sources in developing his own opinion does nothing to undermine Hall's decision. Thus, we ultimately conclude that Hall's income capitalization approach produced a credible valuation of the Hotel for 2018. Once again, we note the closeness of both appraisers' income approaches—prior to the exclusion of personal property and intangibles—as confirmation of their reliability.

d. Conclusion

253. Hall is a highly qualified appraiser with significant experience appraising hotel properties, and he developed his appraisal in compliance with USPAP. Additionally, Hall generally relied on appropriate market data in developing the three valuation approaches and he provided reasonable explanations for how he addressed the contributory value of tangible personal property and intangible assets within the cost and income capitalization approaches. As a result, we conclude that Hall's cost and income capitalization approaches both produced credible valuations of the Hotel for 2018 while excluding intangibles and personal property. Hall's sales comparison approach ultimately served as a good check on his other two approaches, and we conclude it supports his final conclusion of value for 2018.

254. For those reasons, we conclude that under the preponderance of the evidence standard, Hall's concluded value of $18,800,000 is credible evidence of the Hotel's market value-in-use as of January 1, 2018. Consequently, the Assessor made a case supporting an increase in the Hotel's 2018 assessment, and we order it changed to match Hall's value.

D. 2019-2021 Assessment Years

255. The current 2019 assessment of $16,387,100 is less than the prior year's assessment of $18,800,000 as we just determined it. Thus, HCW retains the burden of proof under Indiana Code § 6-1.1-15-17.2 and needed to show that its proffered assessment is correct.

256. For the same reasons discussed in our analysis of the 2018 assessment year, we find Allen's concluded value of $12,130,000 is not credible evidence of the Hotel's market value-in-use. Consequently, HCW has failed to make a case supporting a reduction to the Hotel's 2019 assessment. On the other hand, we find Hall's concluded value of $20,000,000 is credible evidence of the Hotel's market value-in-use, again for the same reasons we discussed for 2018. Thus, the Assessor made a case supporting an increase in the Hotel's 2019 assessment, and we order it changed to match Hall's value.

257. We apply identical reasoning to the 2020 and 2021 assessment years as well. For each year, HCW has the burden of proof under I.C. § 6-1.1-15-17.2. However, HCW again failed to convince us that its proffered assessments were credible, while the Assessor succeeded in doing so for the same reasons previously discussed. We therefore order the 2020 and 2021 assessments changed to Hall's concluded values of $20,500,000 and $16,000,000, respectively.

E. 2022 Assessment Year

258. For the 2022 assessment year, we apply Indiana Code § 6-1.1-15-20. HCW still has the burden of proof because the current 2022 assessment of $15,984,800 is less than the prior

year's assessment of $16,000,000 as we just determined it. The current assessment is therefore presumed correct unless the totality of the evidence is sufficient to prove a different value. For the same reasons discussed in our analysis of the 2018 assessment year, HCW failed to convince us that its proffered assessment was credible, while the Assessor (whose trended valuation evidence went unchallenged) succeeded in doing so once again. Thus, we order the 2022 assessment changed to Hall's concluded value of $15,360,000.

F. 2023 Assessment Year

259. Finally, for the 2023 assessment year, we apply Indiana Code § 6-1.1-15-20. HCW retains the burden of proof once again because the 2023 assessment of $15,421,200 does not represent an increase of more than 5% over the $15,360,000 assessment that we just determined for 2022. The current assessment is therefore presumed correct unless the totality of the evidence is sufficient to prove a different value. And for the same reasons discussed in our analysis of the 2018 assessment year, HCW once more failed to convince us that its proffered assessment was credible, whereas the Assessor (whose trended valuation evidence again went unchallenged) succeeded in doing so once again. Thus, we order the 2023 assessment changed to Hall's concluded value of $15,360,000.

FINAL DETERMINATION

260. In accordance with the above findings of fact and conclusions of law, we conclude the Assessor succeeded in establishing the true tax value of the Hotel for the six years on appeal by a preponderance of the evidence. We therefore order the assessments to be changed to match his appraiser's value conclusions:

2018	$18,800,000
2019	$20,000,000
2020	$20,500,000
2021	$16,000,000
2022	$15,360,000
2023	$15,360,000

ISSUED: Sept. 14, 2026

Jonathan R. Elrod
Chairman, Indiana Board of Tax Review

Timothy Ellenberger
Commissioner, Indiana Board of Tax Review

Brandie A. Charron
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>.