

BEFORE THE IDAHO BOARD OF TAX APPEALS

JAMES HUGH RITTER REVOCABLE LIVING
TRUST,

Appellant,

v.

ADA COUNTY,

Respondent.

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APPEAL NO. 19-A-1060

FINAL DECISION
AND ORDER

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Ada County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. R3856000550. The appeal concerns the 2019 tax year.

This matter came on for hearing October 18, 2019 in Boise, Idaho before Hearing Officer Travis VanLith. James Ritter appeared at hearing for Appellant. Chief Deputy Assessor Brad Smith represented Respondent.

Board Members David Kinghorn, Leland Heinrich and Kenneth Nuhn join in issuing this decision.

The issue on appeal concerns the market value of an improved residential property.

The decision of the Ada County Board of Equalization is modified.

FINDINGS OF FACT

The assessed land value is \$99,000, and the improvements' value is \$653,300, totaling \$752,300. Appellant agrees with the land value, however, contends the correct value of the improvements is \$442,752, totaling \$541,752.

The subject property is a .07 acre parcel situated in the Hyde Park subdivision in Boise, Idaho. The subdivision was described as diverse, with residences ranging from 747 square feet to 4,497 square feet and lots ranging in size from .04 acres to .133 acres. Ages of the

residences also varied widely, with an average construction date of 1928.

Subject is improved with a three (3) bedroom, three (3) bathroom residence constructed in 2006. The residence totals 2,303 square feet in size, with 1,463 square feet above grade and 840 square feet in the finished basement. The property is further improved with a 418 square foot detached garage.

Appellant described unique characteristics of the subject property which were argued to adversely affect value. First, the lot is only twenty-five (25) feet wide, which means the residence is only fifteen (15) feet wide in order to comply with setback requirements. This leaves minimal usable outdoor space, largely to the back of the residence. Second, there is 198 square feet upstairs, which does not satisfy the legal definition of a bedroom. Appellant characterized this space as storage and contended it should be valued at a lesser rate than the finished living area on the main level.

For value evidence, Appellant offered detailed information concerning eight (8) recent sales from the general area. Though, there was some variance, the sale residences were generally similar to subject in terms of finished living area, bedroom and bathroom count, garage size, and design. All the sale properties enjoyed larger lot sizes than subject. Sale prices ranged from roughly \$395,000 to \$700,000, or from approximately \$195 to \$279 per square foot. In each instance, it was reported the sale residences were assessed less than subject's residence.

Respondent challenged the comparability of some of Appellant's sale properties. Specifically, it was noted most of the sale residences were constructed in the early- or mid-1900s. Respondent reported the market in subject's neighborhood generally places a premium

value on newer generation residences constructed after 2000. Appellant countered stating the older sale residences had been thoroughly remodeled since their original construction.

Appellant also furnished some assessment information for four (4) properties located within one (1) block of subject and on the same side of street. Again, Appellant highlighted subject's residence was assessed higher than the referenced comparables.

Based on the sales and assessment information. Appellant determined value rates to value subject's various types of square footage. For the main floor living area, a valuation rate of \$233 per square foot was concluded, while the rates for the basement and storage areas were \$155 and \$117 per square foot, respectively. In summing these figures, Appellant concluded a value of \$442,752 for the residence, to which the assessed land value of \$99,000 was added, resulting in a total subject value of \$541,752.

Lastly, Appellant consulted with several local real estate professionals about subject's market value. A couple indicated the roughly \$440,000 value Appellant determined above was likely reasonable. Another realtor prepared a comparative market analysis. The report provided limited information about several sales and a couple active listings. The report suggested a listing price of \$524,500 for subject.

Respondent explained subject's neighborhood was trended for the current assessment year, with increases ranging from 17.54% to 31.76%, or an average of 27.74%. Subject's value increased 30.63% for 2019. Following an exterior inspection of the property, Respondent found the residence value should be reduced to \$538,800, with no change to the \$99,000 land value, for a total value of \$637,800. Respondent petitioned that this new lower value be ordered by the Board.

In support of the lower valuation, Respondent offered information on four (4) recent sales from the area. The sale residences were generally comparable to subject in terms of size, design, garage size and bedroom and bathroom count. The sale residences were also somewhat newer with construction dates, ranging from 2000 to 2017. Lot sizes were noted to be larger than subject's .07 acres, but all were similar in terms of limited outside space due to the configuration of the improvements. Sale prices ranged from \$599,000 to \$675,000. Respondent directly compared each sale property to subject and made appraisal adjustments for differences in physical characteristics, such as size, age, acreage and garage size. The adjusted prices ranged from \$566,169 to \$666,620.

CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of fair market value in fee simple interest, or as applicable exempt status. This Board, giving full opportunity for all arguments and having considered all the testimony and documentary evidence submitted by the parties, hereby enters the following.

Idaho Code § 63-205 requires taxable property be assessed at market value annually on January 1; January 1, 2019 in this case. Market value is defined in Idaho Code § 63-201, as,

“Market value” means the amount of United States dollars or equivalent for which, in all probability, a property would exchange hands between a willing seller, under no compulsion to sell, and an informed, capable buyer, with a reasonable time allowed to consummate the sale, substantiated by a reasonable down or full cash payment.

Market value is estimated according to recognized appraisal methods and techniques. The sales comparison approach, the cost approach, and the income approach represent the

three (3) primary methods for determining market value. *Merris v. Ada Cnty.*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). The sales comparison approach, which in general terms analyzes recent sales of similar and proximate properties, is commonly used to estimate the value of residential property.

Both parties provided a good amount of market and other data for the Board's consideration, efforts which were appreciated. In looking at the information, it becomes apparent subject's neighborhood is diverse, which makes finding comparable sales difficult. Appellant advocated a valuation rate of \$233 per square foot for subject's main floor. This rate represented the average price rate of Appellant's eight (8) sales. At a base level, the approach is not unreasonable. The concern in this instance, however, is how the average rate was impacted by three (3) sales with the lowest price per square foot. These price rates, at \$193, \$203, and \$210 per square foot appear to be notable outliers compared to nine (9) other sales in the record. The next lowest sale price is \$225 per square foot, with the remaining sale prices all above \$235 per square foot. It is also worth noting only three (3) sale prices fell below the roughly \$541,000 value that Appellant is seeking. In short, Appellant's list appears to include outliers which the Board found should be excluded.

Another concern with the value rate petitioned by Appellant was that it represented a raw average. As mentioned earlier, subject's neighborhood is comprised of residences with widely varied characteristics. In the Board's experience, to develop a reliable estimate of subject's value, it is necessary to adjust the respective sale prices for differences between the sale properties and subject. This type of comparative analysis was viewed by the Board as the strength of Respondent's value case. Each sale property was compared to subject and

appraisal adjustments were made for major differences. The result was an indicated range of value from roughly \$245 to \$289 per square foot. The raw price rates of Appellant's sales were generally similar to Respondent's sales, so it is likely if Appellant's sales were adjusted in like fashion, a comparable range of values would be found.

Appellant also expressed concern with subject's assessed value compared to the assessed values of several nearby properties, as well as the assessed values of the eight (8) sales. Though, the value¹ of subject's improvements is higher than the improvement values of the referenced properties, this does not tell the whole story. The reported improvement values include all the improvements associated with the property, not just the residence. For instance, some properties did not have garages, so it is not surprising to see a lower improvement value. Again, as subject's neighborhood is diversely developed and there are many factors which contribute to an individual assessment, a flat comparison of assessments is problematic from a valuation standpoint. Lastly, it should be noted a comparison of assessed values is not a recognized appraisal approach. For these reasons, minimal weight was afforded the offered assessment information.

Respondent's comparable sales data and corresponding analysis was generally well received by the Board. The sale properties shared many key physical characteristics with subject, and any property differences were adjusted for in the analysis. Following an exterior inspection of subject, and based on the sales data presented, Respondent concluded subject's assessed value was overstated and should be reduced from \$752,300 to \$637,800. As this value was also supported by the bulk of Appellant's sales data, the Board agrees an

¹If the improvements' value of \$538,800 recommended by Respondent is used, the value of subject's improvements is not higher than all the assessments referenced by Appellant.

adjustment is warranted.

Idaho Code § 63-511 places the burden on Appellant to prove error in subject's valuation by a preponderance of the evidence. We did find the burden of proof satisfied, though not with adequate support for the value petitioned by Appellant. Rather, the Board found Respondent's recommended value on appeal, of \$637,800, to be fair and correct and well supported by the sales data in record.

The decision of the Ada County Board of Equalization is modified to reflect a decrease in subject's market value to \$637,800.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Ada County Board of Equalization concerning the subject parcel be, and the same hereby is, MODIFIED to reflect a decrease in subject's market value to \$637,800, with \$99,000 attributable to the land, and \$538,800 allocated to the improvements.

IT IS FURTHER ORDERED, pursuant to Idaho Code § 63-1305, any taxes which have been paid in excess of those determined to have been due be refunded or applied against other *ad valorem* taxes due from Appellant.

Idaho Code § 63-3813 provides that under certain circumstances the above ordered value for the current tax year shall not be increased in the subsequent assessment year.

DATED this 24th day of January, 2020.