

BEFORE THE IDAHO BOARD OF TAX APPEALS

CANYON STREET MHP, LLC,)	
)	
Appellant,)	APPEAL NO. 19-A-1385
)	
v.)	FINAL DECISION
)	AND ORDER
BOISE COUNTY,)	
)	
Respondent.)	
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COMMERCIAL PROPERTY APPEAL

This appeal is taken from a decision of the Boise County Board of Equalization modifying an appeal of the valuation for taxing purposes on property described by Parcel No. RPH00000265560. The appeal concerns the 2019 tax year.

This matter came on for hearing November 15, 2019 in Idaho City, Idaho before Board Member Leland Heinrich. Jon Dufresne appeared at hearing for Appellant. Assessor Chris Juszczak 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 a commercial property.

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

FINDINGS OF FACT

The assessed land value is \$70,101, and the combined value of the improvements is \$180,142, totaling \$250,243. Appellant agrees with the land value, however, contends the correct value of the improvements is \$137,435, totaling \$207,536.

The subject property is a 1.33 acre commercial parcel operated as part of a manufactured home park located in Horseshoe Bend, Idaho. Though the property characteristics were not addressed in detail, subject's assessment includes commercial improvements valued at \$77,435. The remaining improvements consist of two (2) portable

classroom modules constructed in 1981. Both the classroom units are 1,255 square feet in size and both currently sit on cinder blocks. The portable units are assessed at \$35,104 and \$67,603, respectively.

Appellant's concerns were focused on the assessed values of the two (2) portable classroom units. As the structures are not manufactured homes, they do not have titles or serial numbers. It was explained one (1) of the portable classrooms was being used for storage, and the other was being used for residential purposes. The "residential" classroom was purchased by Appellant in early 2017 for \$9,000, plus \$3,000 for delivery and set up from a company located in Boise, Idaho. In February 2017, Appellant sold the residential classroom to a third party¹ for \$15,000, plus \$5,000 for delivery and set up. The structure reportedly includes a kitchen, bedroom, living room, and a bathroom. Appellant was unaware of any interior renovations made by the new owner, however, did report some exterior changes had been made. Specifically, a porch was added, as was a fireplace with the chimney routed through a window instead of the roof. Appellant noted permits were not obtained for the additions, which will need to be removed. It was contended the current value of the residential classroom should not exceed \$40,000.

The "storage" classroom was also purchased by Appellant for \$9,000, plus \$3,000 for the delivery and set up. Appellant offered testimony that the storage classroom today sits in the exact condition in which it was delivered in 2017. The structure is still configured as a classroom, meaning there are no interior partition walls. Appellant also reported the electrical

¹There was some confusion concerning the inclusion of the "residential" classroom on subject's assessment due to the different ownerships, but Respondent was reportedly unaware of the new ownership in time to create a new parcel number for the 2019 tax year.

wiring needs to be replaced to conform with current standards. Based on Appellant's sale of the above residential unit, Appellant concluded a value of \$20,000 for the storage classroom.

In response to Appellant's concerns, Respondent focused its case on the values of both portable classrooms. It offered information from several sales in support of the valuations. With respect to the storage classroom, five (5) improved residential sales were highlighted. According to Respondent, the sale residences were "dry cabins," meaning they had no plumbing. The sale residences varied in year, built from 1987 to 2018, and in size, from 192 to 720 square feet. Little to no other physical details concerning the sale properties were provided. The actual sale prices were not indicated, however, Respondent reported time-adjusted prices ranging from \$45,105 to \$186,910. Respondent removed the assessed land values and other improvement values from the respective sale prices and attributed the residual values to the sale residences. These residual values ranged from \$10,925 to \$87,210, or from \$28 to \$121 on a per square foot basis, with an average rate of \$63 per square foot. Respondent pointed out subject's storage classroom is valued at \$35,104, or \$29 per square foot, which is notably lower than the value suggested by the sales analysis.

Turning to the value of subject's residential unit, Respondent likewise offered information on five (5) improved residential sales. The sale residences were constructed between 1910 and 2011, and ranged in size from 720 to 1,877 square feet. The time-adjusted prices ranged from \$114,510 to \$189,910. After removing the assessed values for other property, Respondent calculated residual price indications for the sale residences ranging from \$63,000 to \$108,349, or from \$54 to \$121 per square foot. Respondent again pointed to the lower valuation rate of this subject's unit, at \$55 per square foot, as strong evidence the value

is reasonable.

Appellant challenged the comparability of the sales referenced by Respondent in support of its residential unit assessment. In particular, it was noted the sale residences were attached to permanent foundations, with the exception of Sale No. 1. Appellant was also concerned with the locations of the sale properties, as none were located in a manufactured home park in Horseshoe Bend.

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 comprise the three (3) primary methods for determining market value. *Merris v. Ada Cnty.*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). Residential property is often valued using the sales comparison approach, which approach in general terms compares recent sales of similar property to the

subject property, considering the differences in properties' characteristics.

The questions presented in this appeal center on the assessed values of the two (2) portable "classroom" units. For the reasons explained below, the Board finds value adjustments are warranted for both units.

We will start with the valuation of the "storage" classroom. Appellant purchased this unit in early 2017 for \$12,000, which price included delivery and set up. No improvements or changes have been made to the storage classroom since Appellant's purchase. The unit currently sits on cinder blocks and is used only for storage. It has no partition walls, the electrical wiring needs to be replaced, and it is not connected to water or sewer services. In its current state, the storage classroom is not suited for residential use.

Admittedly, the storage classroom is a somewhat unique improvement. It is also comparable to personal property, but has no title. The unit appears to be incapable of obtaining conventional financing should that be necessary or desirable. Though the Board appreciated Respondent's efforts to locate sales information, there appeared to be little commonality between the storage unit and the sale residences. To begin, Respondent relied on sales of residences, whereas the storage classroom is not a residence. In addition to being stick-built, the sales residences appeared from the photographs to be attached to permanent foundations. In other words, the sales represented more traditional properties, whereas subject is a portable modular classroom sitting on blocks. In terms of analysis, Respondent simply removed all non-residence assessed values from the reported time-adjusted sale prices and assigned the residual values to the respective sale residences. This is not a recognized appraisal approach. Even overlooking the extraction methodology, and admittedly this is a special valuation

problem, it was not clear how the sales, with an average residual price rate of \$63 per foot, correlated with the \$29 per square foot rate assigned to this unit. In short, the sales data did not offer good support for Respondent's valuation conclusion.

Appellant did not have multiple sales to support its requested value of \$20,000. However, Appellant did offer value evidence from the February 2017 sale of the "residential" classroom unit as evidence of value for the storage unit. This sale represented the most comparable sale in the record in terms of physical characteristics and location. In the Board's view, subject's portable storage unit improvement should not be compared to stick-built residences attached to permanent foundations. As such, the Board found Appellant's sale of the residential unit for \$20,000 to represent the best evidence of value for the storage unit.

We will turn next to the value of the residential classroom improvement. Similar to above, Respondent offered limited information from five (5) sales occurring in 2018. Again there were steps taken to isolate the values attributable to the sale residences by removing all other assessed values from the respective time-adjusted sale prices. Several of the sale residences appeared to be manufactured homes, though only one (1) was noted to lack a permanent foundation. For the same reasons expressed earlier, the Board was not persuaded by the extraction methodology and was unable to identify any correlation between the residual price rates, which averaged \$74 per square foot, and the assessed value rate for the residential classroom unit at \$55 per square foot. In all, the Board was not satisfied adequate consideration was given to the unique features of the subject residence.

Idaho Code § 63-511 places the burden of proof on Appellant to demonstrate error in subject's valuation by a preponderance of the evidence. Given the record in this matter, the

Board found the burden of proof satisfied, however, we did not find adequate support for the value petitioned by Appellant. The Board ultimately found values of \$20,000 for the storage classroom unit and \$55,000 for the residential structure were supported by the available evidence in record. The decision of the Boise County Board of Equalization is modified accordingly.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Boise County Board of Equalization concerning the subject parcel be, and the same hereby is, MODIFIED as follows:

Commercial Land (Category 21):	\$ 70,101
Commercial Improvement (Category 42):	\$ 77,435
Rural Improvement (Category 32):	\$ 20,000
<u>Residential Improvement (Category 41):</u>	<u>\$ 55,000</u>
TOTAL	\$222,536

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 18th day of February, 2020.