

BEFORE THE IDAHO BOARD OF TAX APPEALS

MATTHEW KIRKLAND,)	
)	
Appellant,)	APPEAL NO. 19-A-1368
)	
v.)	FINAL DECISION
)	AND ORDER
BOISE COUNTY,)	
)	
Respondent.)	
)	
)	
)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Boise County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. RPI00000263905. The appeal concerns the 2019 tax year.

This matter came on for hearing November 13, 2019 in Idaho City, Idaho before Board Member Leland Heinrich. Matthew Kirkland was self-represented. County Assessor Chris Juszcak represented Respondent.

Board Members Leland Heinrich, David Kinghorn 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 Boise County Board of Equalization is affirmed.

FINDINGS OF FACT

The assessed land value is \$44,000, and the improvements' value is \$161,154, totaling \$205,154. Appellant contends the correct land value is \$24,000, and the improvements' value is \$118,000, totaling \$142,000.

The subject property is a .81 acre parcel located within the city limits of Idaho City, Idaho. The site is improved with a single level 1,248 square foot residence constructed in 2002. The residence was described as average quality, with formica counter tops, Pergo laminate

flooring, stock cabinets, and basic trim. The property is further improved with a 1,200 square foot detached garage that was added in 2012.

Appellant is concerned with the rate of subject's assessed value increase for the current assessment year. It was contended local real estate pricing has been artificially "manipulated" upward in recent years by an influx of out-of-state buyers. These buyers are not knowledgeable about the local market and are willing to "over-pay" for property. Appellant also cited national statistics concerning average household income and its relationship to property values. It was noted average property values in Idaho increased 17.2% during 2018, whereas the state's average household income rose only 3.9% over the same time span. This was further evidence, in Appellant's view, of the outsized influence of out-of-state buyers on pricing in the local real estate market.

Turning to subject's valuation, Appellant detailed negative attributes associated with subject's location. The property is situated across the street from the school yard, directly next door to the county equipment yard, and abuts a cemetery. According to Appellant, the school buses start running at 5:00 a.m., or earlier during winter months, and activity at the county yard typically begins around 6:00 a.m., or as early as 3:00 a.m. during the winter. The cemetery was cited as a negative attribute primarily because visitors sometimes get stuck in the snow trying to access the cemetery during the winter, despite the facility being closed, then knocking on subject's door for help.

To support a lower valuation, Appellant separated subject's assessment into three (3) components; land, residence and detached garage. For the land component, information was provided concerning three (3) vacant lot sales which took place during 2018. Sale No. 1 was

a .41 acre parcel located within city limits which sold for \$27,000, or \$65,854 per acre. The remaining two (2) sale lots were located outside city limits, with one (1) situated nearly nineteen (19) miles from subject. Sale No. 2 was a 5.75 acre lot with a sale price of \$47,000, or \$8,174 per acre. Sale No. 3 concerned a 2.55 acre site which sold for \$9,804 per acre, or \$25,000.

Respondent challenged the comparability of Appellant's land sales. It was highlighted the two (2) lots located outside Idaho City do not enjoy the same amenities as subject, such as city water and sewer services. Also, both of these sale lots were notably larger than subject, which is only .81 acres in size. Lastly, Respondent stressed the importance of location and how properties located within city limits sell differently than properties located outside city limits. In short, Respondent contended Appellant's land sales were not the best indicators of value for the subject.

Turning next to the value attributed to subject's residence, Appellant provided information on five (5) improved sales. The sale residences ranged in size from 988 to 1,682 square feet, and also ranged in year built from 1933 to 2008. It was noted the (2) residences constructed in the 1930's were updated prior to sale, so their effective ages were 1970 and 1975, respectively. The five (5) sales' lot sizes were between roughly .20 acres and 3.0 acres. The sale prices ranged from \$145,000 to \$189,000. Respondent noted Sale No. 3 for \$181,835 was a duplex, and the price paid reflected only one-half ($\frac{1}{2}$) of the structure depicted in the photograph provided.

Lastly, Appellant offered information on two (2) recent improved residential sales in support of reducing the value assigned to subject's garage. The first sale property included a

1,496 square foot detached garage constructed in 2018. The property sold for \$110,000. Though it was somewhat unclear, it appears Appellant removed the assessed values for the sale residence and the lot from the sale price, which left \$19,748 attributable to the detached garage structure. The other referenced sale concerned a property with a 1,728 square foot detached garage constructed in 1997. After removing the other component's values, Appellant reported a residual value for this detached garage of \$32,124.

Similar to Appellant, Respondent separated subject's different components and offered value opinions for each. In support of the land value Respondent provided a list of all nine (9) Idaho City lot sales from 2018. The lot sizes ranged from .34 to .78 acres. Respondent pointed out that while all the lots have the same city water and sewer amenities as subject, seven (7) of the sales must pay to maintain their access roads. The contract sale prices were not provided, however, Respondent reported time-adjusted sale prices ranging from \$28,458 to \$67,655. Modest lot size adjustments were also applied to the sale prices, as well as a \$21,000 adjustment for the seven (7) properties which enjoy frontage along a creek. After all the adjustments, the value indications for subject's lot ranged from \$37,120 to \$56,175.

Turning to the value of subject's residence, Respondent provided information on seven (7) improved sales. Some of these sales were also referenced by Appellant. The sale residences ranged in size from 988 to 2,473 square feet and also ranged in year built from 1933 to 1999. The older residences had been updated prior to sale, so they had lower effective ages than indicated by the original construction date. Only time-adjusted sale prices were shared, which ranged from \$155,040 to \$280,440. Respondent then removed the assessed values for land and other improvements from the respective sale prices. This left residual value

indications for the sale residences ranging from \$88,693 to \$209,774, or from \$60 to \$99 per square foot. The sales indicated an average price rate of \$83 per square foot. Subject's residence is assessed at \$99,845, or \$80 per square foot.

Respondent next provided sales information in support of the assessed value for subject's detached garage improvement. Five (5) improved sales were provided with time-adjusted prices ranging from \$157,083 to \$540,828. After removing the assessed values for the sale lots and residences, Respondent calculated residual value rates for the detached garages ranging from \$40,977 to \$82,268, or from \$31 to \$97 per square foot. The average rate was \$40 per square foot. Subject's detached garage is valued at \$47,316, or \$39 per square foot.

Lastly, Respondent developed a sales comparison approach using the same seven (7) improved sales referenced above. Here Respondent directly compared each sale property to the subject and made appraisal adjustments for the differences in property characteristics. The adjustments included square footage, lot size, bathroom count, construction quality, outbuildings and other attributes. The analysis yielded a range of value indications for the subject from \$184,856 to \$237,890, with an average of \$211,906.

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, 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 three (3) primary methods for determining market value include the sales comparison approach, the cost approach, and the income approach. *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 in basic terms compares recent sales of similar property to the subject parcel and considers adjustments for differences in property characteristics and market conditions, as warranted.

Both parties provided information on numerous sales for the Board’s consideration. These efforts were appreciated. That being said, the Board had a number of concerns with the sales data and accompanying analysis. With the exception of Respondent’s sales comparison approach, neither party provided much in the way of physical details concerning the sale properties. For example, with respect to the sales relied upon for comparison with just the subject residence, only ages and sizes were provided. There was no indication of construction quality, property condition or relative location. In short, with the limited detail, the Board found it difficult to make a meaningful direct comparison between subject and many of the sale properties.

The Board was also not persuaded by the extraction methodology the parties employed

for valuing subject's residence and detached garage. The parties simply removed the assessed values of all non-residence (or non-garage) components from the respective sale prices. After the rather sudden or large adjustments, the residual value was attributed to the sale residence (or garage). While the Board understands the appeal of this extraction methodology due to its simplicity and ease of use, such methodology does not represent an accepted appraisal practice for an improved residential property. Accordingly, the results were afforded minimal weight in the Board's final consideration.

The parties' respective land sales were better received by the Board, though there were concerns. Specifically, two (2) of Appellant's land sales were located outside of town. One (1) in fact was located nearly nineteen (19) miles away. Also, both the rural sales were more than double subject's lot size, with no persuasive adjustment made to account for the difference. The primary concern with Respondent's sales was the creek influence present with seven (7) of the nine (9) lot sales provided. Typically, waterfront sales are not used to value non-waterfront property. That being said, Respondent recognized a premium associated with a creek-side location and made notable location adjustments to account for this key difference. And even if the creekfront sales were excluded, the remaining two (2) sales offered support for subject's assessed land value.

The Board found the best evidence of subject's market value was Respondent's sales comparison approach. This analysis considered seven (7) recent comparable sales and made various appraisal adjustments for the different value factors including time of sale. Respondent reported a robust market in Idaho City during 2018, with an appreciation rate varying between 1% and 3% per month. The other adjustments made to the sale properties were found to be

typical and expected in a traditional sales comparison analysis. In all, the Board found Respondent's analysis reasonable and supportive of subject's current market value assessment.

Idaho Code § 63-511 places the burden on Appellant to demonstrate error in subject's valuation by a preponderance of the evidence. Based on the evidence provided in this matter, we did not find the burden of proof satisfied. Though Appellant provided some sales information, physical details were lacking and there was no comparative analysis offered. Nor were there sufficient property details for the Board to make meaningful comparisons between subject and the sale properties. While the Board found concerns with aspects of Respondent's value evidence, the sales comparison model was generally well received. The average adjusted price was \$211,906 for the seven (7) comparable sales which adequately supported subject's current assessment of \$205,154.

Based on the above, the value decision of the Boise County Board of Equalization is affirmed.

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, AFFIRMED.

DATED this 18th day of February, 2020.