

BEFORE THE IDAHO BOARD OF TAX APPEALS

SHELLEY LORENZEN,)	
)	
Appellant,)	APPEAL NO. 19-A-1091
)	
v.)	FINAL DECISION
)	AND ORDER
KOOTENAI COUNTY,)	
)	
Respondent.)	
)	
)	
)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Kootenai County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. 51N03W200880. The appeal concerns the 2019 tax year.

This matter came on for hearing November 20, 2019 in Coeur d'Alene, Idaho before Hearing Officer Travis VanLith. Appellant Shelley Lorenzen was self-represented. County Assessor Richard Houser 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 Kootenai County Board of Equalization is affirmed.

FINDINGS OF FACT

The assessed land value is \$90,000, and the improvements' value is \$62,871, totaling \$152,871. Appellant contends the correct market value is \$129,302.

The subject property is a .16 acre parcel located a couple miles east of Hayden, Idaho. Subject's neighborhood is referred to as the Honeysuckle Hills Building Sites. Though situated near Hayden Lake, subject has no water frontage or view of the lake. The neighborhood was described as heterogeneous, with some residences constructed in the early 1900's and others

constructed in more recent years. The subject property is improved with a 768 square foot cabin constructed in 1910. It was noted the property has no garage, no sprinkler system and no landscaping.

Appellant questioned how subject's assessed value, particularly the value of the cabin, could have increased so much in a single year. It was noted the value of the cabin nearly doubled, despite no improvements or changes being made to the property in decades. Appellant suggested the assessed value should not have increased more than 12%. This was reportedly the average rate of appreciation in the area during 2018.

Appellant also provided an independent fee appraisal report on the subject property. The valuation date was April 18, 2017. The appraisal considered three (3) sales in its analysis, one (1) each from 2013, 2014 and 2015. The sale properties were roughly similar to subject in terms of age and lot size. The first sale was a 1,944 square foot two-level residence which sold for \$130,000. Sale No. 2 was a 720 square foot ranch style residence which sold for \$106,500. The last sale concerned a 1,007 square foot single-level residence which sold for \$88,500. The sale properties were compared to subject and adjustments were made for the differences in the property characteristics, such as construction quality, gross living area and location. The adjusted prices ranged from \$74,500 to \$92,100, with the gross adjustment totals ranging from roughly 28% to 43%. The appraisal concluded a market value of \$85,000 for the subject property.

Respondent outlined the general process used to arrive at subject's current assessed value. Subject's neighborhood was physically reappraised for the 2019 assessment year as part of the county's regular five-year revaluation plan. During subject's exterior inspection, it

was noted the roof did not appear to be original, and some of the windows had been updated from wood-framed to vinyl. Respondent updated its records and a new cabin value of \$80,335 was generated. Following Appellant's filing of a notice of appeal with the Board of Equalization, Respondent learned the interior of subject's cabin is rather dated compared to the average interior finish in the neighborhood. Subject's property record was again amended to accurately reflect the interior condition of the cabin. This last change reduced the cabin's assessed value to \$62,871.

Though subject's assessed value was developed using a market-based cost approach, Respondent also offered value opinions from the sales comparison and income approaches to value. The subject cabin is used as a rental property, so Respondent was able to develop a value estimate under the income approach. The estimated monthly lease rate is \$900. Using this information, plus some recent sales data, Respondent calculated a value of \$145,800 using a gross annual income multiplier model and a value of \$144,000 using a gross monthly rent multiplier.

For the sales comparison approach, Respondent identified four (4) improved sales for comparison with the subject. Sale No. 1, regarded by Respondent as the most physically similar to subject, was a .165 acre lot improved with a 576 square foot residence constructed in 1960. The property sold in February 2018 for \$127,500. Sale No. 2, with a price of \$274,000, concerned an 1,808 square foot two-story residence situated on a .186 acre parcel located roughly one-half ($\frac{1}{2}$) mile to the southeast of subject. Sale No. 3 was the July 2017 sale of the property next door to subject for \$315,000. The prior 2013 sale of this .148 acre lot improved with a 1,944 square foot two-story residence was also included in Appellant's fee appraisal;

however, extensive renovations were completed prior to the most recent sale, which contributed to its markedly higher 2017 sale price. Sale No. 4 was a vacant .417 acre parcel located less than one-half ($\frac{1}{2}$) mile from subject. The lot sold in July 2018 for \$84,200. Respondent compared each sale property directly to subject and made appraisal adjustments for noted differences in property characteristics, such as gross living area, construction quality, condition and effective age. After the adjustments, the prices of the improved sales ranged from \$154,098 to \$250,467. The adjusted price of the lot sale was \$105,418.

Appellant challenged the inclusion and comparability of Sale Nos. 1 and 4 in Respondent's analysis. Both were regarded by Appellant as superior to subject in terms of location. According to Appellant, both sale properties are located either in or nearer to the City of Hayden than the subject, and therefore they are situated closer to schools, the library, the post office, shops, restaurants and other amenities. Appellant additionally questioned Sale No. 1 on the basis of the interior finish of the residence, which was characterized as superior to subject's interior. In Appellant's view, these sales should be excluded from the analysis.

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 sales comparison approach, the income approach, and the cost 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).

Appellant was primarily concerned with the assessed value of subject’s cabin improvement, which nearly doubled for 2019. In terms of support for the requested value reduction, Appellant offered an independent appraisal of the property from April 2017. This appraisal concluded a value of \$85,000. Though there were no particular issues with the appraisal itself, the sales used to develop the value conclusion were from 2013, 2014 and 2015, which are rather stale data points for purposes of estimating subject’s current market value on January 1, 2019. In the very least, to consider this older data, heavy time adjustments would be necessary. Such large adjustments would only serve to undermine the reliability of the resulting value conclusion. Because there were multiple recent sales in the record, the Board did not place much emphasis on the 2017 appraisal report.

While the Board understands Appellant’s concerns with the significant increase in assessed value, and this was viewed as a kind of red flag event, the assessed value was well supported by the sales comparison approach, the cost approach and income approach models developed by Respondent. Each approach adhered to recognized appraisal techniques, and each concluded a similar value of around \$150,000. With all three (3) approaches yielding

similar results, it is difficult for the Board to conclude that subject was over-assessed.

Pursuant to Idaho Code § 63-511, Appellant bears the burden of proving error in subject's valuation by a preponderance of the evidence. Based on the record in this matter, we did not find the burden of proof satisfied. Respondent's market value evidence was the most current and the general appraisal analysis was sound. In all, subject's assessed market value was found to be well supported by the evidence presented.

The decision of the Kootenai County Board of Equalization is affirmed.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Kootenai County Board of Equalization concerning the subject parcel be, and the same hereby is, AFFIRMED.

DATED this 3rd day of March, 2020.