

BEFORE THE IDAHO BOARD OF TAX APPEALS

PHYLLIS E. LORENZEN REVOCABLE TRUST,)	
)	
Appellant,)	APPEAL NO. 19-A-1090
)	
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. 03520000037A. 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. Shelley Lorenzen appeared at hearing for Appellant. 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 \$787,500, and the improvements' value is \$147,674, totaling \$935,174. Appellant contends the correct market value is \$742,675.

The subject property is a .703 acre parcel with 75 front feet along the southern shores of Hayden Lake. Specifically, the parcel is located at Vatican Beach, which was characterized as a highly desired lakeside neighborhood. The subject parcel was described as fairly level. The property is improved with a two (2) level cabin with 1,274 square feet on the main level

and 340 square feet in the upper level. The residence was constructed in 1930, however, it has seen updating over the years so it has an effective year built of 1990. The residence was considered by Respondent to be average quality and in average condition. The cabin was noted to sit roughly 360 feet from the lake and there is a private access road in front of it which bisects the parcel.

Appellant questioned the large increase in subject's 2019 assessed value and provided an independent fee appraisal report on the property, which had an effective valuation date of December 13, 2016. The appraisal relied on four (4) sales and two (2) active listings to develop an estimate of subject's market value. After applying appraisal adjustments, the fee appraisal concluded a value of \$750,000.

Appellant generally agreed with the sales and analysis contained in the fee appraisal, however, argued there were two (2) newer issues affecting subject's current market value which were not considered. The first was the inclusion of boat dock improvements in the appraisal. Appellant explained the boat docks had been destroyed a couple years ago by storm activity. In 2018, work had commenced to construct new dock improvements, however, as of December 31, 2018, Appellant reported having one (1) 10' x 45' dock nearly completed and another 8' x 20' dock framed with no decking. The remaining dock improvements had not yet been installed or repaired. Because the docks were not operational on the 2019 assessment date, Appellant contended there was no value.

At hearing, Respondent acknowledged the docks had been damaged or destroyed, however, at the time the assessment notice was generated, Respondent was unaware of this issue. It was explained subject's current assessment includes roughly \$21,000 for "older" dock

improvements. Even though the current docks were not operational on the 2019 assessment date, Respondent argued there was some value in the partially-completed improvements.

In addition to the dock issue, Appellant explained there is pending legal action concerning subject's access. The parcel's primary access is via a driveway shared with the adjacent property owner, which has been the case for decades. According to Appellant, the neighboring property was purchased a couple years ago and the new owner filed legal action to bar access to the subject parcel via the shared driveway. Given the uncertainty surrounding the access, Appellant argued subject's market value was negatively impacted beyond the value determined by the fee appraisal.

Respondent pointed out Appellant prevailed at the district court level on the access issue, and stressed the shared driveway still currently serves as the main access point. Respondent also argued even if the Idaho Supreme Court rules against Appellant, subject would still have two (2) potential access points. One (1) access could be the private driveway which currently bisects the property, and the other possible access would be to install a driveway on the subject parcel next to the current shared driveway. Appellant agreed subject could technically be accessed via the private driveway, but explained there would be no parking because the doors on the detached garage are on the other side of the structure, opposite the private driveway. As for installing a new driveway next to the existing one, Appellant cited large costs associated with the removal of several large trees. In Appellant's view, neither of the alternate access points were realistic.

Respondent explained Hayden Lake waterfront parcels were all physically inspected in 2017 in preparation for the 2018 assessment year. Respondent reported observing subject's

dock improvements during this reappraisal effort. Each parcel was inspected from the water, and based on a particular parcel's physical characteristics, such as slope and waterfront quality, an "overall characteristic rating" was assigned. These ratings were noted to be specific to each of the eight (8) identified neighborhoods around the lake. Recent sales and historical trends were used to develop specific land tables for each neighborhood. In subject's neighborhood, a typical lot enjoys 75 front feet on the lake, which frontage is valued at the base rate reflected in the corresponding land table, with discounts applied for excess frontage.

In developing assessed values for 2019, Respondent compiled a list of all recent Hayden Lake waterfront sales. The list included six (6) sales from 2018 and one (1) from February 2019. The latter 2019 sale was located in subject's specific neighborhood, and because it was under contract in 2018, Respondent included it in the analysis. A time adjustment was applied to the sale prices to reflect pricing levels on January 1, 2019. The 1% per month time adjustment was sourced from the most recent federal housing price index, which reported a 12.85% increase in prices for 2018. The time-adjusted prices were then used to update the appropriate land value tables, which in subject's case resulted in an increase in the base front foot valuation rate of roughly \$3,500 per front foot. Subject's 75 front feet were assessed in 2019 at \$10,500 per front foot, the same rate applied to all waterfront parcels in Vatican Beach.

For additional support on appeal, Respondent developed a sales comparison approach considering four (4) improved waterfront sales. The sale properties were located within three (3) miles of subject, however, only one (1) was from subject's specific Vatican Beach neighborhood. This was the 2019 sale referenced above. Each sale property was compared

to the subject and various appraisal adjustments were made to account for the differences in the property characteristics. Respondent explained the sales outside subject's neighborhood required rather large land adjustments because those parcels are valued using different land tables. The sale located in subject's neighborhood also received a large land adjustment due to the overall superiority of the parcel, including its 126 waterfront feet. Lesser adjustments were made for gross living area, garage size and outbuildings, among other differences. The adjusted prices ranged from \$840,454 to \$1,386,670.

Appellant objected to consideration of the 2019 sale because it occurred after the January 1, 2019 assessment date and also because the property was superior to subject. Respondent disagreed and said the property went under contract in mid-2018, and therefore it was proper to consider the sale in the data set. As for the comparability concern, Respondent agreed the sale property was superior and noted such is reflected in its assessed value, which is notably higher than subject's. Respondent also pointed to the downward adjustments made to the sale for purposes of comparison with the subject.

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). The sales comparison approach is commonly used in the appraisal of residential property.

Pointing to the subject’s increase in assessed value, Appellant questioned whether the market supported such an increase. For value evidence, Appellant submitted an older fee appraisal of the subject property dating to December 2016. The appraisal concluded a value of \$750,000, however, Appellant argued the current value should be lower due to the lack of functioning dock improvements and the uncertainty related to the easement litigation. In Appellant’s view, heavy discounts should be applied for both conditions.

Though the Board understands Appellants concerns regarding the docks and the pending litigation, we did not find sufficient support to adjust subject’s current assessed value on either basis. There appears to be no dispute subject’s dock improvements were not fully constructed and operational as of the assessment date. According to an email from the contractor, one (1) dock was nearly complete as of January 1, 2019, and another dock was framed with no decking. The remaining components of the dock system had not yet been repaired or completed. Appellant’s position is no value should be attributable to the unfinished docks. We disagree. The docks may not have been fully operational, but significant work had

been completed prior to the assessment date. It is well understood in appraisal that partially completed improvements often contribute value, though naturally not as much as finished improvements. No cost estimates for the completed dock work were provided, nor was the total estimated cost disclosed. Respondent assigned a value of roughly \$21,000 to the partially-complete docks, which given, the absence of evidence suggesting a lower value, the Board is inclined to accept in this instance.

As for the litigation concerning the shared driveway access, the Board again did not find adequate support for an adjustment. We agree a legal cloud over a property's access could greatly impact its market value, however, such is not the case here. The shared driveway has been used to access the subject property for many decades with no problems or legal challenges. Though the current litigation is pending before the Idaho Supreme Court, the district court found in favor of Appellant; meaning the shared driveway still currently serves as legal access to the property. Relying on the current and historical access, as opposed to a future hypothetical, the Board is strained to find support for an access adjustment.

In terms of appraisal analysis, Respondent's appraisal methodology was generally well received by the Board. It was explained Hayden Lake waterfront land tables were updated based on recent sales data. One (1) such sale was from subject's immediate neighborhood, which served as the key or primary basis for the base rate adjustment to subject's land table. Appellant contended the neighborhood sale should be excluded because it was superior to subject and it closed in February 2019. Respondent acknowledged the sale property was superior and explained adjustments were applied to account for the property differences. Naturally, the Board would have preferred more highly comparable sale properties, however,

there were none. And in the absence of additional sales data, the Board found no error in Respondent's primary reliance on the pending sale from subject's neighborhood.

The Board found no error in Respondent's inclusion of the 2019 sale because the property went under contract in mid-2018, which is well before the relevant assessment date. Nothing in the record suggested the terms of the agreement, nor the \$2,190,000 sale price, changed or were otherwise materially altered between the July 2018 contract date and the February 2019 closing date. It was not clear why it took nearly seven (7) months for the sale to close, but, in the Board's experience, it is not uncommon for a higher-end property to experience a lengthier closing period.

As the party bringing forth this appeal, Appellant bears the burden of proving error in subject's valuation by a preponderance of the evidence. Idaho Code § 63-511. Given the record in this matter, the Board did not find the burden of proof satisfied. Appellant's requested value reduction was based primarily on personal opinion, not recent market data. Respondent's value position, by contrast, was supported by an analysis grounded in recent market activity. It was also not lost on the Board that applying an upward time adjustment to the value concluded in Appellant's fee appraisal report would yield a value nearly identical to subject's current assessed value. In all, there was simply inadequate support to reduce subject's 2019 assessment.

Based on the above, 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.