

BEFORE THE IDAHO BOARD OF TAX APPEALS

JEROME SIKARSKIE,)	
)	
Appellant,)	APPEAL NO. 19-A-1440
)	
v.)	FINAL DECISION
)	AND ORDER
BONNEVILLE COUNTY,)	
)	
Respondent.)	
)	
)	
)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Bonneville County Board of Equalization modifying an appeal of the valuation for taxing purposes on property described by Parcel No. RPO4600001003B. The appeal concerns the 2019 tax year.

This matter came on for hearing October 21, 2019 in Idaho Falls, Idaho before Hearing Officer Travis VanLith. Jerome Sikarskie was self-represented. County Assessor Blake Mueller 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 Bonneville County Board of Equalization is affirmed.

FINDINGS OF FACT

The assessed land value is \$51,919, and the improvements' value is \$74,990, totaling \$126,909. Appellant agrees with the land value, however, contends the correct value of the improvements is \$45,000, for a market value of \$96,919.

The subject property is a 1.956 acre site located a couple miles outside Idaho Falls, Idaho in a rural subdivision. The property is improved with a one and one-half (1½) story residence constructed roughly forty (40) years ago. The residence totals 1,758 square feet in

size, with 998 square feet on the main floor and 760 square feet on the upper level. The residence has a 690 square foot attached garage.

Appellant questioned the 100% increase in the assessed value of subject's residence and contended the property's unique characteristics were not adequately reflected in the current assessment. It was explained subject's south exterior wall is comprised of six (6) passive solar panels. The panels are formed by a sandwich of .40" translucent fiberglass sheets filled with styrofoam beads which are moved in and out of a reservoir in the basement using a PVC valve system. The panels have suffered interior and exterior damage and have deteriorated to the point of needing replacement. Specifically, the bottoms of the panels have rotted out and beads leak through cracks along the seams. The system is no longer capable of pumping beads through the panels. In Appellant's estimation, the entire south wall needs to be replaced with either modern solar technology or a more traditional wall.

Additionally, Appellant pointed to the heating system as being another negative component. Roughly one-half ($\frac{1}{2}$) of subject's basement is filled with river-rock and cinder blocks. An electric furnace, with an upstairs air intake duct, heats up the rock like material. The system has no distribution duct work, rather the heat moves upward through floor vents via natural convection. Appellant explained the heating system causes the main floor to be too hot, while the upper floor remains cold. It was noted a supplemental heat source is needed for the upstairs.

Respondent described the events behind the increase in subject's residence value. Stretching back to the 2015 assessment year, subject's residence has received a 54% downward adjustment. The special adjustment was originally ordered by the County Board of

Equalization (BOE) and had remained in place for the ensuing years. Following an inspection of the property in 2018, the adjustment was removed. It was noted the residence was graded as “fair” construction quality and in “fair” condition, which inherently takes into account the deferred maintenance and functionality issues identified by Appellant. Appellant disagreed, and filed an appeal with the BOE, which ordered the value of subject’s residence be reduced by 10%.

In support of subject’s valuation, Respondent offered information concerning seven (7) sales from 2017 and 2018. The sale residences were generally similar to subject in terms of square footage, though most of the residences included finished basement space which subject does not have. None of the sale properties were located in subject’s neighborhood. Six (6) of the sale residences were graded higher than subject’s residence. The sale prices ranged from \$85,000 to \$145,000. In an attempt to isolate the value attributable to the sale residences, Respondent removed assessed land and other values from the respective sale prices. The result was a range of value from about \$41 to \$73 per square foot, or an average price rate of about \$61 per square foot. On a like basis, subject’s assessment for the residence was at \$42.65 per square foot.

Respondent additionally provided limited information on other sales of unique property over the prior several years. None of these properties were compared to subject, but were instead offered to demonstrate there is no discernable discount in the market for unique properties with singular designs. One (1) of the properties was noted to have sold more than once in recent years. This property first sold in 2015 for \$180,000 and then again in January 2019 for \$265,000. In Respondent’s view, this was strong evidence the market for unique

properties appreciates similar to traditionally-designed properties.

Lastly, Respondent provided a list of properties which sold at an average price rate of about \$25 per square foot. These were therefore reflective of the value Appellant is requesting for subject's residence. Seventeen (17) such sales from 2017 and 2018 were listed. Each were properties improved with a manufactured home. Respondent contended manufactured homes should not be compared to stick-built homes for purposes of valuation and stressed these sales were only offered to show what type of residence is currently selling in the \$25 per square foot range. In Respondent's view, subject is superior so should not be valued similarly to manufactured homes.

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. There are three (3) primary methods for determining market value; 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). The sales comparison approach, which relies on recent sales of comparable property to develop an opinion of market value, is commonly used to value residential property.

Appellant's concerns centered on the increase in the subject residence's assessed value and whether the property's unique characteristics were adequately considered. Undoubtedly, subject is unique. The solar panels have clearly deteriorated over the decades and are in need of replacement. Similarly, the heating system is inefficient and would likely be replaced by a future purchaser. Though these issues were adequately documented on appeal, the Board ultimately did not find they warranted a special or further reduction in subject's assessment.

First, Appellant did not provide any cost-to-cure estimates or other quantifications, so there is nothing upon which to support a potential adjustment. Second, Appellant offered no consideration of recent sales information to support the position subject's residence is over-valued. Lastly, Respondent largely addressed subject's deferred maintenance issues by grading the residence as "fair" construction quality and in "fair" condition. In discussing subject's condition rating, Respondent cited the Marshall & Swift valuation manual which defines fair condition as, "Badly worn. Considerable repair is needed with many items needing refurbished or replaced. Deferred maintenance is obvious and creates a very limited economic life." In the Board's view, this definition accurately describes the condition of the subject residence and is an appropriate condition rating. As for the "fair" construction quality rating, Respondent noted residences with a lower grade of "poor" are typically non-livable and

possibly condemned. As subject is actively used for residential purposes, there is little support to reduce the grade.

Respondent attempted to address Appellant's concerns by offering three (3) sets of sales. The first was a list of seven (7) sales offered to directly support subject's valuation. Though the Board appreciated the sales information, there were questions concerning the comparability of most of the sale properties. Though roughly similar in terms of general design and square footage, there appeared to be little other commonality between the subject and the sales. Further, with the exception of Sale No. 7, all the sale residences were graded higher than subject's residence. No condition ratings were shared, though from the photographs provided it appeared the sale residences were relatively well maintained. Also, none of the sale properties were located in subject's neighborhood. Details of Respondent's analysis were scant so it was unclear how these, and other property differences, were factored into the appraisal analysis. None of the sale properties were directly compared to subject in a traditional sales comparison approach. Rather, Respondent attempted to isolate the value attributable to the sale residences by removing all other assessed values from the respective sale prices. This extraction method is problematic in this instance partly because it fails to recognize the impact of location on the overall value of a property.

Despite the Board's expressed concerns, the sales information provided by Respondent represented the only market data in the record. Most of the sale residences were superior to subject in terms of construction grade, however, there was one (1) sale residence which shared the same "fair" grade as subject. Sale No. 7 was a 1,657 square foot one and one-half (1½) story residence constructed in 1910. After removing other assessed values from the sale

price, Respondent calculated a price rate of \$40.82 per square foot for the residence. On a like basis, subject's residence is assessed at \$42.65 per square foot, which is reasonable considering subject is several decades newer.

Respondent's remaining sale lists were not offered to support subject's current valuation, but rather to address a couple positions advocated by Appellant. One of the remaining lists concerned sales of unique residences throughout the county. The sale residences were architecturally diverse, though few other physical details were shared. These sales were offered to demonstrate there is demand in the market for unique residences and, further, such residences are not selling at a discernable discount.

Respondent's final list of sales was offered to illustrate the type of residence commonly transacting around the \$25 per square foot price point. This is comparable to the value claim Appellant contends is appropriate for subject's residence. Each of the seventeen (17) listed sales were manufactured home properties. In the Board's experience, manufactured homes are generally not perceived in the market as comparable to stick-built homes and should not be used for comparisons.

Idaho Code § 63-511 places the burden on Appellant to demonstrate error in subject's valuation by a preponderance of the evidence. Given the record in this case, the Board did not find the burden of proof satisfied. Appellant pointed out condition and functionality issues existing with subject's residence, but did not demonstrate such factors were inadequately reflected in subject's current market value assessment. Appellant offered no cost estimates to cure the problems, nor other value evidence to show Respondent's valuation is erroneous. As highlighted by Respondent, subject's grade and condition ratings inherently account for the

issues identified by Appellant. In all, the Board was strained to find support for a reduction in excess of the special 10% adjustment already ordered by the Board of Equalization.

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

FINAL ORDER

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

DATED this 14th day of January, 2020.