

BEFORE THE IDAHO BOARD OF TAX APPEALS

A BOISE PROJECT, LLC,)	
)	
Appellant,)	APPEAL NO. 19-A-1061
)	
v.)	FINAL DECISION
)	AND ORDER
ADA COUNTY,)	
)	
Respondent.)	
)	
)	
)	

COMMERCIAL PROPERTY APPEAL

This appeal is taken from a decision of the Ada County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. S1501417325. The appeal concerns the 2019 tax year.

This matter came on for hearing November 20, 2019 in Boise, Idaho before Board Member Leland Heinrich. Managing Member Kever Henry appeared for Appellant. Chief Deputy Assessor Brad Smith 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 Ada County Board of Equalization is affirmed.

FINDINGS OF FACT

The subject property is unique in that Appellant owns the land and leases the land to a third-party who owns the improvements on the land. From the site, the lessee operates an RV and boat storage business. The issue in this appeal centers on the market value of subject's 9.08 acres, which are located in southeastern Boise, Idaho. The land is zoned M-1D, or "Light Industrial".

The assessed land value is \$1,182,200. Appellant contends the land's market value is \$1,075,000.

Appellant purchased the subject land in September 2016 for \$1,050,000 in an arm's-length transaction. At the time of purchase, the subject property was two (2) parcels improved with four (4) covered storage buildings and a residential dwelling. Soon after purchase, Appellant razed the buildings and entered into a lease arrangement with an RV and boat storage company to operate the current storage business on the site. Appellant reported roughly \$28,000 in demolition costs, which Appellant ultimately agreed should be added to the purchase price to reflect the full value of property as a now developable industrial tract. Accordingly, Appellant contended subject's assessed land value should be reduced to \$1,075,000.

For additional support of its value position, Appellant referenced its own recent 2019 purchase of a similarly sized industrial parcel in Nampa, Idaho. It was explained this parcel was located near Interstate 84, with frontage on Karcher Boulevard and Highway 55, both known as active commercial corridors with high traffic counts. The parcel was reportedly purchased for \$1,000,000, which, in Appellant's view, further supported a reduction in subject's land value.

Respondent offered information from five (5) recent sales in support of subject's assessed land value. Sale No. 1 was Appellant's purchase of the subject site. Sale No. 2 was a 6.026 acre light industrial parcel located roughly two and one-half (2½) miles from subject. This property sold in August 2017 for \$1,000,000, or \$3.81 per square foot. Sale No. 3 was located roughly fifteen (15) miles away in Meridian and was a 7.38 acre parcel zoned "Community Commercial." This property sold in October 2017 for \$1,306,762, or \$4.07 per square foot. Sale No. 4, also located in Meridian, was a 9.66 acre light industrial parcel which sold in March 2017 for \$1,120,000, or \$2.66 per square foot. Lastly, Sale No. 5 was zoned

“General Commercial.” This parcel was located roughly twelve (12) miles from subject. The 2.598 acre lot sold in August 2018 for \$480,000, or \$4.24 per square foot. From the sales information, Respondent calculated an average price rate of \$3.51 per square foot. By comparison, subject’s land is currently assessed at \$2.99 per square foot.

Appellant challenged Respondent’s inclusion of commercial sales in its analysis. According to Appellant, commercial property generally sells for higher prices than industrial zoned land. Respondent generally agreed with this characterization, but noted the average price of the three (3) sales that were zoned as light industrial were \$3.08 per square foot, which is still higher than subject’s current assessment rate.

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 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).

Appellant's value evidence consisted of subject's late-2016 purchase price, as well as reference to a recent purchase in neighboring Canyon County. Due to the lack of details concerning the Canyon County property, and the fact that it is located in a different market area, the Board did not place much weight on the Canyon County sale. Subject's purchase, however, featured heavily in the Board's consideration of the current market value. That being said, the Board disagrees with Appellant's petitioned value, because it is effectively identical to the purchase price, and that transaction was more than two (2) years before the relevant appraisal date of January 1, 2019. Appellant's value position implies no market appreciation during the past couple years, which runs contrary to the general market data showing upward price movement in the marketplace.

In addition to the older date of sale, the Board was also reluctant to rely solely on subject's purchase information, because in the typical appraisal of land, market value is established through a consideration of multiple recent sales of similar property. "[M]arket value' can not be established by a single arm's length transaction in which a unique property . . . is sold for cash . . . 'market value' becomes an important standard of measurement in the valuation of property only after there have been numerous sales or exchanges of similar property." *Janss Corp. v. Bd. of Equalization of Blaine Cnty.*, 93 Idaho 928, 931, 478 P.2d 878, 881 (1970). While subject's purchase price was afforded significant weight by the Board, it alone was not sufficient to establish subject's current market value.

Respondent's appraisal was found to represent the best indicator of market value in

this instance, as it was based on consideration of multiple sales, including subject's purchase. The analysis examined five (5) sales with price rates ranging from \$2.66 to \$4.24 per square foot. With a valuation rate of \$2.99 per square foot, subject's acreage is assessed near the lower end of the indicated range. Without more sales or other market data suggesting a lower value, the Board found insufficient cause to disturb the value determined by Respondent.

In appeals to this Board, the burden is with Appellant to prove error in subject's valuation by a preponderance of the evidence. Idaho Code § 63-511. Based on the evidence presented in this matter, the Board did not find the burden of proof satisfied. Appellant did provide evidence of market value, however, Respondent's analysis was more thorough and, in the Board's view, represented the best evidence of the subject land's current market value.

FINAL ORDER

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

DATED this 3rd day of March, 2020.

IDAHO BOARD OF TAX APPEALS