

BEFORE THE IDAHO BOARD OF TAX APPEALS

CLAYTON ARMSTRONG,)	
)	
Appellant,)	APPEAL NO. 19-A-1353
)	
v.)	FINAL DECISION
)	AND ORDER
BANNOCK COUNTY,)	
)	
Respondent.)	
)	
)	
)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Bannock County Board of Equalization modifying an appeal of the valuation for taxing purposes on property described by Parcel No. RPR3853028603. The appeal concerns the 2019 tax year.

This matter came for telephonic hearing March 4, 2020, before Hearing Officer Cindy Pollock. Appellant Clayton Armstrong was self-represented. Assessor Sheri Davies 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 Bannock County Board of Equalization is modified.

FINDINGS OF FACT

The assessed land value is \$55,834, and the improvements' value is \$326,875, totaling \$382,709. Appellant contends the land value is \$45,166, and the improvements' value is \$268,198, totaling \$313,364.

The subject property is a one (1) acre residential parcel situated in the western outskirts of Pocatello, Idaho. The property is improved with multi-level residence constructed in 1986. The residence totals 4,750 square feet in size, of which 3,958 square feet are finished across

the main floor, the upper level, and the basement. The property is further improved with a one-car attached garage. The subject property's assessment also includes roughly \$40,000 for two (2) shop buildings; one (1) is 1,380 square feet in size, and the other is 1,600 square feet in size with an attached lean-to. It was explained Appellant owned the outbuildings; however, the structures are physically situated on an adjacent parcel owned by a family member. Respondent indicated the outbuildings would be moved to a different parcel number (leasehold parcel) for the 2020 tax year but would still be assessed to Appellant. Respondent noted only the shop improvements were assessed with the subject parcel, while the underlying land was assessed to the family member.

Appellant challenged the increase in subject's assessment and contended subject's unique characteristics were not adequately considered. Appellant explained the subject parcel was carved out of a larger tract owned by Appellant's father. As part of the arrangement¹, Appellant was granted the right to use the existing shared access driveway, as well as the right to use a shared well. These rights, however, are contingent on Appellant maintaining ownership of the subject property. Should Appellant decide to sell the property, the purchaser would not have any right to use the current shared driveway, nor the shared well. It was noted there is an access easement through a southern portion of the subject property down to the county road; however, such access has not been developed. If Appellant were to sell the property, a new access driveway would need to be installed along the currently unused easement, and a new well would need to be drilled. Through informal bids obtained by Appellant, it was estimated the road work would cost between \$60,000 and \$75,000, and the

¹Two (2) of Appellant's relatives are also bound by the same agreement.

cost to drill a well would be in the \$25,000 to \$30,000 range. In Appellant's view, the unique situation concerning the access and the well was not reflected in subject's 2019 assessment.

In support of subject's valuation, Respondent offered information and analysis concerning three (3) rural residential sales located between roughly seven (7) and thirteen (13) miles from the subject property. Sale No. 1 concerned a 2,723 square foot multi-level residence situated on a 6.29 acre parcel. The property sold in October 2017 for \$332,500. Sale No. 2 was a 2.73 acre parcel improved with a multi-level residence comprised of 3,532 square feet of finished living area, which sold in March 2018 for \$390,000. Lastly, Sale No. 3 took place in May 2018 for \$350,000. This sale property was a one (1) acre parcel improved with a 3,420 square foot multi-level residence. Each of the sale properties included additional improvements, through details were not shared. Respondent first applied a time adjustment to each price to reflect pricing levels on the January 1, 2019 assessment date. The prices were further adjusted to account for differences in property characteristics compared to subject, such as finished living area, age, quality, and lot size. Respondent determined adjusted sale prices ranging between \$344,027 and \$473,785, or roughly \$87 to \$120 per square foot. In comparison, subject is assessed for \$382,709, or roughly \$97 per square foot.

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 always estimated as of a precise point in time. 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). The sales comparison approach is commonly used in the valuation of residential property. In general terms, the approach examines recent sales of similar property and considers differences in the property characteristics between the subject and the sale properties.

Respondent developed a value opinion for the subject property using a sales comparison approach model. Three (3) recent rural residential sales were compared to the subject property, and various appraisal adjustments were made for differences in property characteristics. Though the sale properties were generally similar to subject in terms of age, quality, and multi-level design, there were some notable differences in lot size, finished living area, and outbuildings. Though the adjustments Respondent made were typical and expected, they ended up being rather significant in the final analysis. Indeed, the gross adjustments ranged from 26% to 58%. Such notable adjustments suggest a certain level of dissimilarity and brings into question the resulting value conclusion. That being said, Respondent's sales represented the only recent market data in the record, so the data and analysis were factored

into the Board's consideration.

Appellant did not develop an opinion of value using any of the above three (3) approaches to value. Instead, Appellant focused on the unique circumstances surrounding subject's driveway access and a shared well. Admittedly, Respondent was unaware of these issues prior to hearing, so it is understandable they were not factored into subject's valuation. That being said, both of these issues would have to be resolved in order to sell the subject property. The resolution in this instance would be the installation of a new roadway from the residence down to the public road as well as drilling a new well. Based on informal estimates, the cost to remedy the driveway and well issues could exceed \$100,000. Respondent conceded these issues would likely negatively impact subject's market value; however, without market support for a specific adjustment, Respondent maintained subject's current assessed value was reasonable. Further, Respondent pointed out the subject property currently does have water and paved access, so it is not currently limited or restricted in its utility.

While Respondent's point about the subject property's current utility is well taken, it is important to not lose sight of the standard by which real property is to be assessed. This standard is market value, which, as noted above, means the amount of money for which a property is most likely to exchange hands between a willing buyer and a willing seller. Due to the agreement between Appellant and his father, any potential buyer of the subject property would be faced with the reality that a new access road would have to be installed and a new well would have to be drilled. These are major projects, the cost of which is likely significant. It is reasonable to assume a potential buyer would consider these additional costs in any purchase decision concerning the subject property. Though Respondent was unaware of these

issues at the time of assessment, an adjustment is proper now that they have come to light.

In accordance with Idaho Code § 63-511, the Appellant bears the burden of proving subject's assessed value is erroneous by a preponderance of the evidence. Given the record in this matter, the Board finds the burden of proof satisfied; however, we did not find sufficient support for the value petitioned by Appellant. Subject suffers from a rather unique situation, which unquestionably diminishes the marketability of the property, and thereby the market value. Any purchaser of the subject property would have to bear the costs of installing a new access driveway and drilling a new well, or offset such costs in the purchase price. It is also worth noting Respondent conceded an adjustment would have likely been made, had Respondent known of the issues prior to hearing. For the reasons above, the Board finds an adjustment warranted in this particular instance so will modify the decision of the Bannock County Board of Equalization to reflect a decrease in subject's total assessed value to \$320,000.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Bannock County Board of Equalization concerning the subject parcel be, and the same hereby is, MODIFIED, to reflect a decrease in total value to \$320,000, with \$45,000 attributable to the land, and \$275,000 to the improvements.

IT IS FURTHER ORDERED, pursuant to Idaho Code § 63-1305, any taxes which have been paid in excess of those determined to have been due be refunded or applied against other *ad valorem* taxes due from Appellant.

Idaho Code § 63-3813 provides under certain circumstances that the above ordered

value for the current tax year shall not be increased in the subsequent assessment year.

DATED this 14th day of April, 2020.