

BEFORE THE IDAHO BOARD OF TAX APPEALS

GALLAFENT PROPERTIES, LLC,)	
)	
Appellant,)	APPEAL NO. 19-A-1510
)	
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. RPRPPOC342300. The appeal concerns the 2019 tax year.

This matter came on for hearing March 26, 2020, before Hearing Officer Cindy Pollock. Steve Gallafent appeared at hearing for Appellant. County Assessor Sheri Davies represented Respondent.

Board Members Leland Heinrich, David Kinghorn 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 affirmed.

FINDINGS OF FACT

The total assessed value is \$138,510, or \$34,628 per unit. Appellant contends the total value is \$125,342, or \$31,336 per unit. The subject property is a .057 acre lot on the west side of Pocatello, Idaho. The lot is improved with a 3,560 square foot 4-plex constructed in 1915.

Appellant questioned subject's assessment increase and challenged the location of Respondent's comparable sales greatly skew the analysis and resulting values. Appellant noted subject is located on the west side of Pocatello where properties are less desirable and

command less rent. Two (2) of the three (3) sales utilized in Respondent's analysis are located on the east side of Pocatello, which is closer to the University and, in Appellant's opinion, command higher rents.

Appellant further challenged Respondent's use of time adjustments as a way to inflate sale prices. Appellant contends that if sale dates are close enough to the assessment date, a time adjustment is not necessary.

Appellant described subject as an 110-year-old structure with a failing foundation and various maintenance issues. Appellant contends that older properties have higher maintenance costs which reduce market value. Respondent noted for the record that all sales utilized to develop subject's 2019 assessed value were older units and would have reflected similar maintenance needs.

Appellant and Respondent both developed opinions of value utilizing the same three (3) sales. Sale No. 1 was a .17 acre lot located on the east side of Pocatello which sold on January 1, 2018 for \$135,000, or \$36,678 per unit. The property was improved with a 2,957 square foot 4-plex that was constructed in 1934. Sale No. 2 was a .19 acre lot located on the west side of Pocatello which sold on June 15, 2018 for \$137,500, or \$36,094 per unit. The property was improved with a 3,100 square foot 4-plex that was constructed in 1930. Sale No. 3 was a .20 acre lot located on the east side of Pocatello which sold on March 16, 2018 for \$170,000, or \$45,592 per unit. Appellant compared the sales directly to subject and made adjustments for differences in number of garage stalls, total square footage of the 4-plex, and number of bedrooms. Appellant reported adjusted sale values from \$109,600 to \$135,425, or \$27,400 to \$33,856 per unit.

Respondent provided a differing analysis of the aforementioned three (3) sales, the primary difference being the utilization of time adjustments. Respondent described the market conditions in Bannock County as inflationary with a .75% monthly or 9% annual growth rate from 2018 to 2019. Respondent attributed much of the growth to a shortage of listings and high demand for properties. As such, Respondent contends a time adjustment is necessary in order to bring sale prices relevant to the January 1, 2019 assessment date.

Respondent applied time adjustments to each sale and reported value indications between \$144,375 and \$182,368, or \$36,094 to \$45,592 per unit. In comparison, subject is valued at \$138,510, or \$34,628 per unit.

Respondent additionally developed an opinion of value utilizing the income approach. Respondent reported market rents for older units of \$520 per unit, an expense rate of 45%, and a cap rate of 8.5%. The resulting value indication was \$153,900, or \$38,475 per unit. Respondent noted that even though subject is an income-producing property, primary weight was placed on the sales comparison approach, as several 4-plex units sold in 2018.

CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of market value in fee simple interest, or as applicable, a property's 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 always estimated as of a precise point in time. Idaho Code § 63-201 provides the following definition,

“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) approaches to 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 is commonly used in the valuation of a residential property. In general terms, the approach examines recent sales of similar property, and considers the differences in property characteristics between the subject and the sale properties.

Both parties utilized the sales comparison approach to develop their respective opinions of fair market value. Appellant made adjustments to the sale properties for differences in property characteristics, resulting in value indications of \$109,600, \$131,003, and \$135,425, respectively. However, Appellant failed to make time adjustments to bring the sale prices relevant to the January 1, 2019 assessment date. Appellant challenged that if sales were recent enough, time adjustments were not necessary. While the Board understands this concept and would generally agree, Appellant's sales did not occur near the date of valuation. They in fact occurred six (6) to twelve (12) months prior. In a rapidly inflating market, without proper time adjustments, these values would be understated for the purpose of analysis and determining the subject's most probable selling price.

Respondent analyzed the same three (3) sales and applied a time adjustment of .75% per month to bring each sale price relevant to the assessment date. This analysis was well received by the Board. Respondent reported value indications ranging between \$144,375 and

\$182,368, or \$36,094 to \$45,592 per unit. Based on these sales, the Board failed to find evidence that subject was assessed in excess of its fair market value, as it is assessed at \$138,510, or \$34,628 per unit.

Respondent additionally provided a valuation developed utilizing the income approach. Appellant challenged that Respondent utilized a rent rate much greater than actual rents earned from subject. It is well understood by the Board that market rents, and not actual rents, are utilized when calculating net income for a property. Industry standards dictate that market rents, rather than actual rents, assist in uniformity of calculations, balance any variances in lease terms, and represent the potential income of any given property based on local averages. Respondent reported a value indication of \$153,900, or \$38,475 per unit, which is well above subject's assessed value.

In accordance with Idaho Code § 63-511, the burden is with the Appellant to establish Respondent's valuation is erroneous by a preponderance of the evidence. We did not find the burden of proof met in this instance. Both parties provided relevant market information, each analyzing the same three (3) sales. However, Appellant failed to make necessary time adjustments to bring sale prices relevant to the assessment date. The Board found Respondent's analysis to be more thorough and indicative of subject's market value.

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

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, AFFIRMED.

DATED this 30th day of April, 2020.