

BEFORE THE IDAHO BOARD OF TAX APPEALS

SUSAN & DAVID WISHNEY FAMILY TRUST,)	
)	
Appellant,)	APPEAL NO. 19-A-1267
)	
v.)	FINAL DECISION
)	AND ORDER
ADA COUNTY,)	
)	
Respondent.)	
)	
)	
)	

RESIDENTIAL 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. R3616660190. The appeal concerns the 2019 tax year.

This matter came on for hearing December 2, 2019 in Boise, Idaho before Hearing Officer Cindy Pollock. Trustee David Wishney appeared at hearing for Appellant. Acting Chief Deputy Assessor Erin Brady 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 Ada County Board of Equalization is affirmed.

FINDINGS OF FACT

The assessed land value is \$456,300, and the improvements' value is \$517,200, totaling \$973,500. Appellant contends the correct market value is \$750,000.

The subject property is located in the Highlands Unit No. 17 subdivision which is located in the foothills of Boise, Idaho, near Crane Creek County Club. The site enjoys views of downtown Boise and the golf course. The .38 acre parcel is improved with a four (4) bedroom, three and one-half (3½) bathroom residence constructed in 1978. The residence was

remodeled in 2005 and includes 1,960 square feet on the main level and 1,768 square feet in the daylight basement. The property is further improved with a 768 square foot attached garage.

Appellant was primarily concerned with the increase in subject's assessed land value. Appellant acknowledged subject has desirable views, however, contended there were some physical aspects of the lot which negatively affects the market value. A notable portion of the lot is steeply sloped, so the size of the building footprint was somewhat restricted when the residence was designed and constructed. The steepness issue was addressed by including a basement in subject's floor plan. Appellant also reported some drainage issues and the need to use a sump pump in the below-grade space.

In support of a lower land assessment, Appellant offered information concerning several sales in the area, as well as information on a couple active listings. The two (2) lot sales were located in the nearby Hackberry North subdivision off Bogus Basin Road. The lots were .263 and .278 acres in size and sold in July 2018 for \$279,900 and \$299,900, respectively. Appellant highlighted the relatively large and level building sites on both sale lots compared to subject's site. Appellant also stated the sale lots enjoy views of downtown Boise. Respondent challenged this downtown view assertion and contended due to the lower elevation, orientation of the sale lots and a nearby ridge, there were no downtown views from the lots.

The two (2) active listings were for vacant lots. The first was a 1.54 acre parcel situated two (2) lots east of subject. The parties agreed this lot was steeply sloped and would be difficult and costly to develop. Indeed, Appellant reported at least one (1) engineer in recent years had

examined potential development options, however, no action was ever pursued, presumably due to the associated excavation and site work costs. Because of the potential development costs, Appellant contended the value of the lot was less than its \$395,000 asking price. The second listing was a .37 acre lot, also steeply sloped. Appellant noted the property had been on and off the market for the past thirty (30) years. The current asking price was reported at \$349,900, though again Appellant contended the value is less on account of the site development costs.

Next, Appellant presented assessment data on three (3) improved sales. The assessed land value of the first referenced property was \$312,500. This property was a .38 acre lot improved with a 2,674 square foot residence, which sold in July 2018 for \$599,000. Next was a .21 acre parcel improved with a 3,824 square foot residence, which sold in November 2019 for \$748,600. The lot was assessed for \$281,300. The third property had a land value of \$375,000 for .73 acres. This property was improved with a 3,496 square foot residence and sold in June 2018 for \$860,000.

Appellant compared the above data points and concluded subject's assessed land value was excessive. It was declared the two (2) lot sales were the best evidence of subject's land value. However, rather than the one lot's sale price of \$299,900, Appellant advocated subject's land value match the assessed value of the higher-priced sale lot, at \$304,800.

In addition to the land value analysis, Appellant also analyzed the value of subject's residence. In this regard, ten (10) improved sales were compiled in a table, including the three (3) improved sales referenced above. Four (4) of the sales occurred during 2019, two (2) of which were noted to be resales of properties which had previously sold in 2018. The sale

residences ranged in size from 2,172 to 5,029 square feet, and all except three (3) had finished basement space. The sale prices ranged from \$517,000 to \$860,000, or roughly \$136 to \$265 per square foot. Because basement space is typically less valuable than above-grade living area, Appellant stratified the data by the percentage of overall square footage consumed by the basements. For those residences with basements representing less than 34% of the total size, Appellant calculated an average price rate of \$227.95 per square foot, with an average assessed value rate of \$117.92 for the same residences. For those basements exceeding 34% of the total size, an average price of \$195.76 per square foot was reported and the average assessed dwelling value rate was \$112.80 per square foot.

Appellant offered two (2) alternative valuations based on the data from residences with larger basements. The first was to multiply the average price rate of \$195.76 per square foot, which included land, by subject's 3,728 square feet, which yielded a value of approximately \$730,000. The second was to multiply the average assessment rate of \$112.80 per square foot by subject's 3,728 square feet, which equated to a value of roughly \$420,000. Adding the land value of \$304,800 from the earlier analysis derived at a total value of roughly \$725,000.

Respondent explained assessments in subject's subdivision increased between 12.5% and 17.75% for the current assessment year. Subject's assessed value increased 17.13% for 2019. In terms of market data, Respondent offered a couple sets of sales. The first was a group of three (3) improved sales from subject's immediate vicinity. Sale No. 1 was a .73 acre parcel improved with a multi-level residence constructed in 1975 and remodeled in 2002. The residence totaled 3,496 square feet in size, with 1,668 square feet of above-grade space and 1,828 square feet in the basement. This property, which sold in June 2018 for \$860,000, was

also included in Appellant's list of sales. Sale No. 2 concerned a single-level 2,668 square foot residence constructed in 1980 situated on a .61 acre lot. Reportedly, the residence had not been remodeled since the initial construction. The property sold in December 2018 for \$790,000. Sale No. 3, located directly across the street from subject, was a .35 acre lot improved with a multi-level residence constructed in 1984 and remodeled in 2005. The residence includes 2,185 square feet on the main floor and 1,470 square feet in the basement. The property transaction closed in March 2019, however, it went under contract in October 2018.

Respondent arrayed the sales in an adjustment grid for purposes of comparison with subject. First, a .7% per month upward time adjustment was applied to the sale prices to reflect pricing levels on the January 1, 2019 assessment date. Each property was then directly compared to subject and appraisal adjustments were made for the differences in property characteristics. The largest adjustment Respondent made was for view, which the parties agreed was the primary factor driving value in the foothills. The most coveted views are of downtown Boise and the golf course. Subject's view, due primarily to the higher elevation, was regarded as superior to the view from all three (3) sale properties. The other sizeable adjustments were made to Sale No. 2, to account for the residence having more finished above-grade space, no basement and being in somewhat inferior condition. Gross adjustments ranged from roughly 11% to 19%. The adjusted prices were \$978,618, \$903,025, and \$971,601, or \$262.50, \$242.23 and \$260.62 per square foot, respectively. Subject is assessed at \$973,500, or \$261.13 per square foot.

Focusing directly on subject's assessed land value, Respondent provided two (2) lists

of lot sales, one from the Highlands neighborhood and another from the broader Foothills neighborhood. The Highlands' sales, of which there were twenty-five (25) during 2017 and 2018, varied in price from \$199,900 to \$361,500. Highlighted was the increase in price as the elevation and views from the sale lots improved. None of these sales, however, were regarded as having a view similar to subject's. In search of sales with more comparable views, Respondent compiled the list of lot sales from the broader foothills area. Fifteen (15) sales were identified. The prices ranged from \$350,000 to \$900,000 with an average price of \$504,633. Focusing on the eight (8) sales with the most similar views, Respondent calculated an average price of \$469,313. Subject's lot is assessed for \$456,300.

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). 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 adjustments for differences in property characteristics between the subject and the sale properties.

Appellant offered an assortment of sales and assessment data in support of reducing subject's assessed value. The Board found some of the data and analysis was problematic. To begin, the analysis was focused primarily on assessed values. A comparison of assessed values is not a recognized appraisal approach. This is particularly true when there are notable differences in the characteristics between the properties being compared.

Even ignoring the focus on assessed values, and focusing on the sales themselves, the Board was not convinced subject's assessed value is erroneous. First, the two (2) lot sales were located at lower elevations, with no views of downtown. As view was cited by both parties to be the primary driver of value in the neighborhood, the Board would have preferred sale lots which shared a view more similar to subject. Also, the sale lots were noted to be situated next to highly-trafficked Bogus Basin Road, so they are impacted by a different noise influence. It was not clear how these, or other factors, were considered in Appellant's valuation analysis.

The two (2) active listings referenced by Appellant appeared to better represent subject in terms of view. Indeed, one (1) of the lots was located two (2) parcels away from subject. Both listings were noted to be steeply sloped and would require extensive engineering work to support a residence. Appellant suggested the market values of these lots are actually less than the asking prices of \$395,000 and \$349,900, due to the cost of the associated site work.

While the development costs might serve to detract potential buyers unwilling to expend the extra resources, once the site work is completed, the value of the lot would increase because it is now capable of supporting a residence. Appellant contended the extra costs associated with building on a hill is detrimental to subject's current value, and an adjustment was needed. The Board, however, finds the costs have already been expended and are now contributing to subject's overall value. Accepting Appellant's argument would effectively value subject's lot as raw undeveloped land, which would require the Board to ignore the reality that subject is a fully-developed residential property. The Board is disinclined to adopt such a position.

Better received by the Board was Respondent's comparable sales data and the accompanying analysis. Of particular importance was Respondent's focus on subject's total market value, rather than focusing on the values of subject's individual components. Once developed, a residential property is comprised of land *and* improvements. The property will typically sell as a single integrated unit, not in its component parts. Appellant isolated subject's land and improvements and valued each individually, which was viewed as a significant flaw in the analysis. Such methodology ignores how the subject property would most likely sell in the marketplace.

Respondent considered three (3) improved residential sales to develop an estimate of subject's value under the sales comparison approach. The adjustments, which the Board noted were relatively low on a gross basis, were made for differences between subject and the sale properties. The low adjustment levels suggested a good degree of similarity between the sales and the subject property. The most notable adjustments were for view, which was not surprising considering how important view is in the Foothills. Overall, the Board found subject's

current assessed value well supported by Respondent's sales comparison analysis.

Idaho Code § 63-511 places the burden on Appellant to prove error in subject's valuation by a preponderance of the evidence. Given the record in this matter, we did not find the burden of proof satisfied. Respondent's valuation of subject was found to represent sound appraisal practice and the resulting value conclusion was well-supported. As such, the decision of the Ada County Board of Equalization is affirmed.

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 26th day of March, 2020.