

BEFORE THE IDAHO BOARD OF TAX APPEALS

S. CRAIG YADON,)	
)	
Appellant,)	APPEAL NO. 19-A-1341
)	
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. RPRPPOC323100. The appeal concerns the 2019 tax year.

This matter came on for hearing March 19, 2020 in Pocatello, Idaho before Board Members Leland Heinrich and David Kinghorn. Appellant S. Craig Yadon was self-represented. Contract Appraiser Darcy Maag 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 \$22,860, and the improvements' value is \$332,920, totaling \$355,780. Appellant contends the correct total value is \$225,000, with no detail given as to allocation between land and improvements.

The subject property is a .19 acre residential parcel located in Pocatello, Idaho. The property is improved with a two-story residence constructed in 1910. The residence consists of 1,156 square feet on the main floor, 1,837 square feet in the upper level, and 504 square

feet of unfinished space in the basement. The residence further includes an 870 square foot built-in garage.

Appellant purchased the subject property in November 2017 for \$120,000. Appellant reported the previous owner had not prioritized maintenance, as such the residence was in need of updating. The remodeling work was completed in 2018, which included an addition to the second floor and the construction of the built-in garage. Other updates included plumbing, electrical and mechanical, windows and exterior doors, roof cover, interior drywall, insulation, built-in cabinets, interior doors, floor covers and plumbing and light fixtures. The associated building permit indicated an estimated cost of \$230,000 for the renovation work. Appellant acknowledged the extensive upgrades, but explained that, at its core, the house was built in 1910 and still suffers some functionality issues. For example, the basement is only accessible through the garage, and the upper staircase is unusually narrow. Appellant contended the cost of the remodel did not contribute as much to subject's market value as suggested by the cost estimate on the building permit. In Appellant's estimation, it would have been less costly to raze the old house and construct a new residence.

Appellant further questioned whether subject's location was adequately considered in the assessment. Appellant described a somewhat difficult neighborhood with some negative influences straining market values in the area. Specifically, Appellant cited the busy vehicle traffic associated with subject's street, as well as notable foot traffic from the nearby supermarket. Appellant also provided a picture depicting graffiti on subject's rear fence. Further, Appellant noted subject is located directly across the street from a busy rehabilitation counseling facility which treats mental health and substance abuse clients, causing parking

shortages on the street and increased foot traffic. Appellant contended these negative locational influences were not reflected in subject's assessed value.

In addition to the location challenges, Appellant argued subject was inequitably assessed compared to other nearby properties. A spreadsheet of assessment data from subjects street was provided. Subject was noted to rank #10 in terms of size but #1 in assessed value. In fact, subject's assessed value was roughly \$120,000 higher than the next highest assessed value, which was a .31 acre parcel improved with an 8,900 square foot apartment property. The next highest assessed value for a single-family residence was roughly \$197,000 for a 3,064 square foot residence situated on a .19 acre lot. Appellant highlighted a couple specific properties in the immediate neighborhood, all of which were assessed at notably less than the subject. Based on this assessment information, Appellant concluded subject was being assessed inequitably compared to the neighborhood.

Lastly, Appellant offered a Comparative Market Analysis (CMA) report prepared by a local realtor. The CMA provided detailed information concerning four (4) sales, three (3) which occurred during 2018 and one (1) which occurred in mid-2019. The sale residences were generally similar to subject in terms of square footage, though three (3) of the sale properties enjoyed larger lots and a superior location near the university. The CMA adjusted the sale prices for noted differences between subject and the sale properties and concluded a recommended list price of \$286,000 for the subject property. Appellant believed this estimate to be high and instead suggested a value of \$225,000 was more appropriate.

Respondent explained the 2018 updates made to the subject property were the primary reason for the increase in the assessment. Most notably, the effective age of the residence

changed from 1910 to 2000, and some finished living area was also added. In terms of value evidence, Respondent provided an analysis using three (3) sales from 2018. The sale residences were all older than subject; however, they did bracket subject in terms of square footage, ranging from 2,612 to 4,088 square feet. Sale prices ranged from \$375,000 to \$565,000. After applying time adjustments, as well as appraisal adjustments to account for differences such as location, finished living area, age and quality, Respondent determined adjusted prices from \$312,233 to \$603,433, or roughly \$104 to \$202 per square foot. In comparison, subject's assessed value is \$355,780, or roughly \$119 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 approaches to 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.

Appellant advanced several arguments in support of reducing subject's assessment. One was a comparison of subject's assessed values to those of other properties located along subject's street and in the immediate neighborhood. Subject's assessment exceeded all others on the list, including commercial apartments. Though the Board understands Appellant's contention, and subject's assessed value does stand out, a comparison of assessed values is not a recognized appraisal approach and generally not strong evidence of market value. As such, Appellant's assessment data was not weighed heavily by the Board.

Appellant also provided a CMA report prepared by a local realtor. Though the August 2019 sale included in the CMA report was untimely for purposes of estimating subject's value as of January 1, 2019, the report did include three (3) timely 2018 sales. The prices of these sales ranged from \$250,000 to \$345,000. Minor adjustments were made for differences in square footage, location and lot size, resulting in adjusted prices ranging from \$224,000 to \$325,000. Based on sales data, the CMA report concluded a suggested listing price of \$286,000 for the subject property. While the Board appreciated the market data, there were some questions of comparability between subject and the sale properties. Two (2) of the residences were notably larger than subject's residence, all three (3) sale residences were newer, and all three (3) enjoyed appreciably larger lots. The CMA report did attempt to make some adjustments; however, support for the adjustments was lacking in the record.

Similar to the comparability questions regarding the sale properties included in the CMA report, the Board was concerned with the sale properties included in Respondent's sales analysis. These comparability concerns were evident in the rather large adjustments Respondent made to the sales. For example, the following age adjustments were applied to the respective sale prices: \$69,440, \$119,286, and \$196,566. There were also some questions concerning the consistency of the adjustments applied. In particular, the location adjustment made to Sale No. 1 was -67% whereas the location adjustment applied to Sale No. 2 was +80%, despite both properties being located near the university and within a few blocks of each other. Excluding the time adjustments applied to the respective sale prices, Respondent's analysis included gross adjustments ranging from 51% to 68%. In addition to the notable adjustments, it was not clear to the Board how the adjusted prices, ranging from roughly \$310,000 to \$600,000, correlated to subject assessed value of \$355,780.

Admittedly, the subject property presents a unique valuation question. The residence, originally constructed in 1910, was extensively updated in 2018. From the record, it appears subject now represents the high-end of the quality scale in the neighborhood. That being said, it is well established that cost does not necessarily equal value. So, the fact that subject's renovations cost roughly \$230,000 does not necessarily mean they contributed \$230,000 in market value to the property. In short, the Board found that while the renovations increased the value of subject's residence, we did not find they contributed as much as reflected in the current assessed value.

In appeals to this Board, the burden is with the Appellant to demonstrate error in subject's valuation by a preponderance of the evidence. Idaho Code § 63-511. Based on the

evidence presented, the Board found the burden of proof satisfied, though did not find adequate support for the value petitioned by Appellant. Instead, the Board finds a value of \$255,000 supported by the record and will reduce subject's assessed value accordingly.

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

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 assessed value to \$255,000, with \$22,861 attributable to the land, and \$232,139 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 21st day of April, 2020.