

BEFORE THE IDAHO BOARD OF TAX APPEALS

DONALD HOWELL,)	
)	
Appellant,)	APPEAL NO. 20-A-1004
)	
v.)	FINAL DECISION
)	AND ORDER
BONNER COUNTY,)	
)	
Respondent.)	
)	
)	
)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Bonner County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. RP61N04W179600A. The appeal concerns the 2020 tax year.

This matter came on for telephonic hearing September 21, 2020, before Hearing Officer Travis VanLith. Appellant Donald Howell was self-represented. Bonner County Assessor Donna Gow 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 Bonner County Board of Equalization is modified.

FINDINGS OF FACT

The assessed land value is \$1,261,135, and the improvements' value is \$249,125, totaling \$1,510,260. Appellant contends the correct total value is \$1,200,000.

The subject property is a 3.24 acre parcel with 205 front feet on the western shores of Priest Lake. The beachfront was described as relatively flat and sandy, and was assigned a land grade of "good" in Respondent's land model. The property is improved with a 2,885 square foot residence comprised of 1,493 square feet on the main level and 1,392 square feet

of finished area in the basement. The property is further improved with a carport, a detached garage, a general purpose pole building, and a boat dock.

Appellant contended subject's current assessed value exceeds the property's market value. In this regard, Appellant offered an independent fee appraisal report with an effective valuation date of March 5, 2020. The appraisal analyzed eight (8) sales and three (3) active listings. With the exception of Sale No. 5, which sold in January 2020, all the sales included in the appraisal occurred during 2019. Four (4) of the sale properties were located on Priest Lake, while the remaining sales were located on either Lake Pend Oreille or Lake Coeur d'Alene. The appraisal explained that due to subject's large frontage, it was necessary to expand the geographic scope in search of similarly sized lakefront sales.

The appraisal report arrayed the sales and listing data into a table, with pertinent property characteristics itemized for each sale or listing. The sale residences ranged in size from 1,068 to 2,700 square feet, and the listings concerned residences between roughly 1,000 and 2,900 square feet in size. Though there were some variances, all the residences included in the appraisal were generally similar to subject's residence in terms of age, condition, quality, and utility. And all the sales and listings were lakefront parcels with large frontages, ranging from 124 to 200 front feet. Sale prices ranged from \$900,000 to \$1,562,500, and asking prices for the active listings ranged from \$1,400,000 to \$1,999,000. The appraisal report directly compared each sale and listing to the subject property and made specific appraisal adjustments for differences in property characteristics such as square footage, outbuildings, effective age, front feet, and others. The appraisal concluded adjusted sale prices ranging from \$992,000 to \$1,490,800, and adjusted listing prices from \$1,382,300 to \$1,792,600. Based on

the adjustment analysis, the appraisal estimated subject's market value at \$1,200,000.

Respondent challenged several aspects of Appellant's fee appraisal report. Of primary concern was the fact Sale Nos. 3, 4, and 5 were all located in adjacent Kootenai County, which in Respondent's view is a different marketplace from subject's Priest Lake neighborhood. Respondent also contested the inclusion of three (3) active listings in the appraisal because they were not closed sales. Lastly, Respondent argued the \$1,000 per front foot adjustment utilized by the appraisal was inadequate. In all, Respondent questioned the reliability of the appraisal's value conclusion.

Respondent's support for subject's assessed value began with some background information leading to the current valuation. Respondent explained Priest Lake is a uniquely diverse area within Bonner County. Indeed, Respondent reported four (4) distinct market areas around the lake. Subject's west side market area was described as superior to the east side of the lake, due primarily to the existence of a state highway and having more amenities. Though some roadways on the east side of Priest Lake are paved, Respondent pointed out the roads are rough once the pavement ends. Respondent stated sale prices on the west side of the lake have historically been somewhat higher than prices on the east side. For this reason, Respondent stressed the importance of focusing on market data from the west side of the lake.

Respondent explained current land values in subject's market area were based on a land model developed in 2015 and carried forward in subsequent assessment years. The model was based on 2014 and 2015 Priest Lake waterfront sales, which were sorted by neighborhood and then grouped according to waterfront grade. Eight (8) sales of "good"

waterfront parcels were used to develop a base valuation rate of roughly \$7,700 per front foot, which rate was applied to the first 100 front feet of each “good” waterfront parcel on the west side of the lake. Additional frontage is valued on a declining scale. Subject’s overall assessment rate is approximately \$6,150 per front foot, which Respondent testified has remained unchanged since 2017.

Turning to the value of subject’s residence, Respondent offered information concerning three (3) improved sales which occurred during 2019. The sale properties were not located near subject, but were instead selected based on similar construction quality and condition. The sale residences were also similar to the subject residence in terms of age and square footage. Sale prices ranged from \$273,500 to \$350,000. Respondent first removed assessed land and other improvement values from the respective sale prices, leaving a residual value for each sale residence. The residual values were further adjusted for differences in quality, square footage, and garage size compared to the subject property. Respondent concluded adjusted price residuals ranging from \$192,200 to \$209,807 for the sale residences. Subject’s residence is assessed at \$158,941.

Lastly, Respondent pointed out an error in subject’s property record concerning the basement. Specifically, Respondent was unaware subject’s basement is finished, so the current assessed value reflects an unfinished basement. Respondent petitioned the finished basement area be added to subject’s current assessment, which would increase the value of the subject residence by \$28,486, to a total of \$187,427.

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, 2020, 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 sales comparison approach, the cost approach, and the income approach comprise the three (3) primary methods for determining market value. *Merris v. Ada Cnty.*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). The market value of residential property is commonly estimated using the sales comparison approach, which in general terms examines recent sales of similar property and considers differences in property characteristics between subject and the sale properties.

The Board appreciated the parties' efforts to provide relevant market data and analysis in support of their respective value positions. That being said, the Board identified several areas of concern with the evidence presented. Starting with Appellant's fee appraisal, the first concern was with the effective valuation date of March 2020, which is roughly three (3) months past the relevant assessment date of January 1, 2020, and therefore untimely. As a result, the

Board was unable to rely on the fee appraisal's value conclusion as the best evidence of subject's market value on January 1st. Though the Board was unable to rely on the final value conclusion, all the 2019 sales included in the appraisal were included in the Board's consideration.

Turning to Respondent's value evidence, the Board likewise found some issues. Of primary concern was the support offered for subject's land value. Specifically, the land model used to assess "good" waterfront parcels in subject's market area was developed in 2015 using neighborhood lakefront sales from 2014 and 2015. This model has carried forward to the current assessment year. While the Board did not find any issues with the basic framework of the model itself, its relevance in estimating 2020 land values is questionable because it is based entirely on stale sales information.

In addition to the older sales data, a closer examination of the details revealed Respondent's land model in subject's area was based on eight (8) sales, only two (2) of which had more than 100 front feet on the lake. The first was a parcel with 150 front feet which sold for nearly \$5,000 per front foot, and the other was a property with 110 front feet which sold for roughly \$7,500 per front foot. The other sales ranged in price rate from approximately \$4,800 to \$8,900 per front foot, for frontages varying from 51 to 77.79 front feet. Respondent testified all "good" parcels in subject's market area were assessed at \$7,700 per front foot for the first 100 front feet, with additional frontage valued on a declining scale. Subject's 205 front feet were assessed at an overall rate of roughly \$6,150 per square foot, which does not square with the sales presented. The sales data suggests a lower front-foot rate for parcels with larger frontages. Subject's frontage notably exceeds any other sale in Respondent's model, yet was

assessed at a higher front-foot rate than several of the sales included in Respondent's analysis, which the Board found curious.

The Board likewise had concerns with the sales Respondent used to support the value of subject's residence. While all three (3) sale residences were similar to subject in terms of construction quality, condition, size, and age, none were located in subject's area. In the Board's experience, location is a key driver of market value, yet no consideration for location was apparent in Respondent's analysis. It was also not clear how the adjusted residual dwelling prices calculated by Respondent, which ranged from roughly \$192,000 to \$210,000, correlated with the assessed value of subject's residence, at \$158,941.

In considering all the evidence presented, the Board generally found Appellant's sales data to represent a better indicator of subject's current market value; specifically, those sales located on Priest Lake. Particularly persuasive was Sale No. 1 situated less than one (1) mile from subject, which Respondent agreed was an appropriate comparable. This property, with 140 front feet on the lake, sold for \$900,000. As the subject property enjoys more frontage, as well as a larger and newer residence, Sale No. 1 points to the lower end of subject's potential value range. Given subject's unique size and desirable features, the Board finds it likely subject's market value lies between Sale No. 1 and the current assessed value.

The remaining issue in this matter centers on subject's basement. Respondent was unaware subject's 1,392 square foot basement was finished until this appeal process. It was not clear in the record when the basement was finished, but the appraisal reported the space as finished. The ultimate goal in assessment is to accurately estimate the market value of taxable property. Achieving this goal is fundamentally rooted in having accurate property

records. In this case, subject's basement was finished as of the January 1, 2020, assessment date, and should therefore be included in the assessment.

In accordance with Idaho Code § 63-511, the burden is Appellant's to establish subject's valuation is erroneous by a preponderance of the evidence. Given the record in this matter, the Board found the burden of proof satisfied, though did not find adequate support for the value petitioned by Appellant. Based on the sales offered, the Board finds a downward adjustment to subject's land value is warranted. Further, the Board finds the contributory value of subject's finished basement should be added to the assessed value of the residence.

Based on the above, the decision of the Bonner County Board of Equalization is modified to reflect a reduction in subject's total assessed value to \$1,250,000.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Bonner County Board of Equalization concerning the subject parcel be, and the same hereby is, MODIFIED to reflect a decrease in total assessed value to \$1,250,000, with \$277,611 attributable to the improvements, and \$972,389 to the land.

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 2nd day of December, 2020.

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Howell
Appeal No. 20-A-1004

~~RECEIVED BY THE BOARD OF TAX APPEALS OF THE STATE OF IDAHO, APRIL 15, 2021~~