BEFORE THE IDAHO BOARD OF TAX APPEALS

JEFFERSON COUNTY ASSESSOR, Appellant, v. ROBIN DUNN, Respondent.	APPEAL NO. 20-A-1032 FINAL DECISION AND ORDER

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Jefferson County Board of Equalization modifying an appeal of the valuation for taxing purposes on property described by Parcel No. RPA00000192620. The appeal concerns the 2020 tax year.

This matter came on for telephonic hearing October 19, 2020, before Board Member Leland Heinrich. Assessor Jessica Roach appeared at hearing for Appellant. Respondent Robin Dunn was self-represented.

Board Members Leland Heinrich and Kenneth Nuhn join in issuing this decision. Board Member David Kinghorn recused.

The issue on appeal concerns the market value of an improved residential property.

The decision of the Jefferson County Board of Equalization is reversed.

FINDINGS OF FACT

The assessed land value is $23,496, and the improvements' value is $72,263, totaling $95,759. Appellant agrees with the land value, but contends the correct improvements' value is $87,527, totaling $111,023.

The subject property is a .20 acre residential parcel located in Rigby, Idaho. The property is improved with a single-level residence constructed in 1961, as well as a detached garage. Respondent characterized the garage as more of a storage building, though conceded an automobile could be parked in the structure. It was also noted the subject property is located behind a car wash business and is surrounded on all sides by commercial properties, including a mobile home park to the east.

Appellant explained subject was reinspected for the 2020 assessment year as part of the county's regular five (5) year reappraisal program. During the exterior inspection of the subject property, Appellant discovered the residence had a new roof since the last inspection. It was also noted the exterior siding and windows had been replaced within the last fifteen (15) years. The new roof, in addition to an appreciating real estate market, caused the increase in subject's assessed value over the prior year. Appellant further explained subject received a 30% downward adjustment to account for its undesirable location in a commercial neighborhood.

In terms of value evidence, Appellant offered information on three (3) improved residential sales which occurred during 2019. The sale parcels varied in size from .17 to .28 acres. Physical details concerning the improvements associated with the sale properties were not shared, though each sale was noted to include an outbuilding or garage. Appellant pointed out the sale properties were situated in close proximity to commercial businesses; however, appellant acknowledged subject's location was inferior to each. Sale prices ranged from $99,000 to $136,000. After removing values attributable to the land, as well as other improvements, Appellant reported residual price rates from $52.36 to $101.64 per square foot for the sale residences. Subject's residence is assessed at roughly $43 per square foot, which in Appellant's view was not supported by the available sales data.

Respondent contested the comparability of the sales provided by Appellant. In addition to superior location and access, Respondent stressed all had landscaping, whereas subject is not landscaped. In Respondent's view, the lack of Appellant's consideration for landscaping was erroneous.

Respondent did not offer sales data in support of subject's valuation, but instead focused on detriments affecting the property. Specifically, Respondent explained the only legal access to the subject parcel is through an easement with the adjacent car wash business. All of Appellant's sales, on the other hand, had direct access to roadways. Appellant pointed out there may be access to the south, but such access is currently uncertain because there is a cloud over the ownership of the adjacent south parcel.

Respondent also questioned why Appellant relied on the sales comparison approach to determine subject's assessed value instead of the cost or income approaches. Respondent reported the subject property is currently leased for $500 per month, on a month-to-month basis, and the tenant has an option to purchase the property for $65,000. Based on the rental income, and the purchase option, Respondent estimated subject's value between $50,000 and $75,000.

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, 2020, 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. 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 sales comparison approach is commonly used to estimate the value of residential property. The approach, in general terms, examines recent sales of similar property and considers differences in physical characteristics between subject and the sale properties.

Though not a traditional sales comparison approach, Appellant did offer some sales information in support of reinstating subject's original 2020 assessed value. Physical details concerning the sale residences were not shared, though the sale residences ranged in year built from 1942 to 1960, and each of the sale properties included outbuildings. The sales ranged in price from $99,000 to $136,000. Subject's current valuation is roughly $95,000, which Appellant contended was too low considering the available sales.

Respondent raised a couple of points in support of subject's current valuation. First, Respondent questioned why subject was not valued using the income approach, even though the property is used as a rental. Respondent also argued inadequate consideration was given to subject's lack of landscaping, and limited legal access through an adjacent commercial parcel.

Though Respondent's concerns are understood, the Board did not find error in Appellant's valuation of the subject property. While all three (3) valuation approaches were considered, Appellant ultimately relied on the sales comparison approach to develop an opinion of value for the subject property. As noted above, the sales comparison approach is typically used to value residential property. This is primarily because single-family residences are owner-occupied, and do not normally sell as rental properties. Further, while subject's current rental income was provided, the income approach relies on market lease rates in estimating gross income, not the contract rate for a particular property. Also, the purchase option referenced by Respondent, in which the current tenant has an option to purchase subject for $65,000, is not considered an arm's-length transaction due to the atypical financing arrangement.

That Respondent would have preferred a different valuation method is not sufficient to demonstrate error in subject's assessment. "[T]he question is not what someone else, however eminent he may be in the field of appraisal work and knowledge of market values, may think is the proper method, but involves simply the determination as to whether the method used by the assessor was legitimate and fair, and was a reasonable method to use in arriving at the value of the property in question." *Abbot v. State Tax Comm'n*, 88 Idaho 200, 206, 398 P.2d 221, 224 (1965). In short, Board found Appellant's use of the sales comparison approach appropriate and representative of sound appraisal practice.

The Board was likewise not persuaded by Respondent's other arguments concerning subject's access and lack of landscaping, compared to the sales provided by Appellant. While landscaping can contribute to the overall exterior aesthetics of a property, landscaping is not typically assessed, nor is landscaping a typical adjustment made by fee appraisers, unless perhaps it is extraordinary. As for subject's access, it is admittedly unique for a residential property; however, a 30% adjustment has already been applied for subject's location. As no support for a further adjustment was provided, the Board finds the current 30% adjustment is reasonable.

Pursuant to Idaho Code § 63-511, the Appellant bears the burden of proving error in subject's valuation by a preponderance of the evidence. Given the record in this case, the Board finds the burden of proof satisfied. Appellant provided three (3) sales, all of which had sale prices in excess of subject's current valuation. And on a per-square-foot basis, the subject residence is assessed lower than the price rates of all the sale residences. In all, Appellant's valuation model was found to represent the best indicator of subject's current market value in this instance.

Given the above, the decision of the Jefferson County Board of Equalization is reversed, to reflect a total assessed value of $111,023 for the subject property.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Jefferson County Board of Equalization concerning the subject parcel be, and the same hereby is, REVERSED, setting the assessed value at $111,023, with $23,496 attributable to the land and $87,527 to the improvements.