

BEFORE THE IDAHO BOARD OF TAX APPEALS

RODNEY SCHAFFER,)	
)	
Appellant,)	APPEAL NO. 20-A-1019
)	
v.)	FINAL DECISION
)	AND ORDER
PAYETTE COUNTY,)	
)	
Respondent.)	
)	
)	
)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Payette County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. 07N04W210001. The appeal concerns the 2020 tax year.

This matter came on for telephonic hearing October 8, 2020, before Board Member Leland Heinrich. Appellant Rodney Schaffer was self-represented. Assessor Mark Harvey 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 Payette County Board of Equalization is modified.

FINDINGS OF FACT

The assessed land value is \$46,050, and the improvements' value is \$195,633, totaling \$241,683. Appellant contends the correct total assessed value is \$200,000.

The subject property is a 1.17 acre rural parcel located a couple of miles south of New Plymouth, Idaho. The property is improved with a 1,372 square foot single-level residence with an attached 624 square foot garage. The residence includes three (3) bedrooms and two (2) bathrooms. Construction on the residence began in 2018 and is currently estimated to be

between 60% and 70% complete. The property is further improved with a 700 square foot pole barn constructed in 1973.

Appellant detailed some of the history leading to the current appeal, including reference to a downward adjustment the county made to subject's 2019 assessed value. In Appellant's view, the 2019 valuation should have carried forward to the current assessment year, as no additional work has been completed on the residence. Though Appellant has physically occupied the subject residence since mid-2019, no occupancy permit has been issued for the property. Appellant explained the occupancy permit was denied because the residence does not have a heating source consistent with the requirements of the county building code. The residence does have a wood stove; however, this does not conform with the requirements of the applicable regulations.

Appellant explained the exterior of the residence was mostly finished in preparation for winter, but the interior remains unfinished. In this regard, Appellant provided photographs of the subject residence depicting the unfinished state of the interior. The photographs showed there are no interior doors, no trim, no flooring, no kitchen cabinets, and no furnace.

In addition to photographs, Appellant also provided some quotes and bids to complete the outstanding finish work. A local heating and air conditioning company quoted a price of \$23,282 to install a new heating and cooling system. Appellant separately listed the remaining items needing to be finished, with individual quotes provided by various third party vendors and contractors. In total, it was estimated the finish work would cost roughly \$34,000 to complete, in addition to the cost associated with installing a heating and cooling system. Appellant contended subject's incomplete finishings were inadequately reflected in the current assessed

value.

Appellant also provided a value opinion from a local real estate firm. Citing subject's lack of a kitchen, heating and cooling system, flooring, doors, and trim work, the letter concluded an estimated "as is" value of \$225,000 as of June 17, 2020. The letter further noted the value opinion was not intended to serve as an appraisal, nor did the value opinion conform to recognized appraisal standards.

Respondent stated it was unaware subject's interior was unfinished because Appellant has been occupying the residence. It was further explained Respondent's mass appraisal model assumes occupied residences are finished. So in this case, no consideration was given for the unfinished portions of subject's interior.

In support of subject's assessed value, Respondent offered assessment data on four (4) properties with residences similar in age and size to the subject residence. Each of these referenced properties were located in town, a couple of miles distant from subject's rural location. Focusing on the assessed values of the respective residences, Respondent reported current values ranging from \$135,194 to \$215,062. Subject's residence is assessed at \$195,633¹, which Respondent contended was consistent with the referenced assessments.

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.

¹The \$195,633 figure is the combined value of subject's improvements. Respondent did not detail how the total was allocated between subject's residence and the pole building.

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 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 differences in the property characteristics between subject and the sale properties.

Neither party provided sales information in support of their respective value positions. Instead, Appellant focused on the estimated cost to finish the subject residence, while Respondent's value position centered on a comparison of assessed values between subject and other properties. Respondent also cited mass appraisal standards and the county's mass appraisal valuation model in support of the valuation. Specifically, Respondent explained the valuation model assumes occupied residences are fully finished. In the Board's view, this approach is problematic, as evidenced in the case before us, where it is undisputed the subject residence is unfinished to a notable degree, including no approved heating source, yet no adjustments were factored into the assessment.

The Board understands Respondent's reliance on mass appraisal techniques to generate property assessments throughout the county. The problem, however, is Respondent's broad statistical model fails at times to recognize characteristics unique to a particular property. This is a key weakness of broad statistical valuation models; they are not particularly well-equipped to accurately value an individual property with unique characteristics, nor are they intended for such purposes.

As noted above, all taxable real property is to be assessed annually at current market value. It is well understood the foundation of any reliable market value appraisal begins with an accurate accounting of a property's particular characteristics. Without understanding a property's individual traits, it is not possible to make any meaningful comparisons with other sale properties, nor to reach a reliable value conclusion. In this case, the parties concur the subject residence is between 60% and 70% complete, and according to quotes provided by Appellant, there is an estimated cost of roughly \$57,000 to complete the outstanding work on the residence. Subject's unfinished status undoubtedly impacts the market value of the property, and Respondent's failure to account for this factor in the assessment was an error, in the Board's opinion.

In appeals to this Board, the burden is with the Appellant to demonstrate subject's valuation is erroneous by a preponderance of the evidence. Idaho Code § 63-511. Given the record in this matter, the Board found the burden of proof satisfied. Respondent's value evidence consisted of a comparison of assessed values, which is not a recognized appraisal approach. Appellant, on the other hand, provided photographs to confirm the current state of subject's finish, along with cost-to-cure estimates to complete the unfinished work on the

residence. There is no dispute the subject residence is incomplete, a fact Respondent conceded was not considered in subject's assessment. In the final analysis, the Board finds an adjustment is needed in this instance to reflect subject's unfinished status.

Based on the above, the decision of the Payette County Board of Equalization is modified to reflect a decrease in the value of subject's improvements to \$139,000, with no change to the \$46,050 land value, resulting in a total assessed value of \$185,050.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Payette County Board of Equalization concerning the subject parcel be, and the same hereby is, MODIFIED to reflect a decrease in subject's current assessed value to \$185,050, with \$139,000 attributable to the improvements and \$46,050 attributable to the land. As no breakdown of subject's improvement values were provided, the \$139,000 figure reflects the combined value of both the residence and the pole building. The Board's reduction order applies only to the value of the residence, with no change to the value of the pole building. Respondent is to allocate the ordered total improvements' value accordingly.

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.