

BEFORE THE IDAHO BOARD OF TAX APPEALS

DUANE AND KARIN WENTZ,	)	
	)	
Appellants,	)	APPEAL NO. 20-A-1031
	)	
v.	)	FINAL DECISION
	)	AND ORDER
BONNER COUNTY,	)	
	)	
Respondent.	)	
	)	
	)	
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**RESIDENTIAL PROPERTY APPEAL**

This appeal is taken from a decision of the Bonner County Board of Equalization modifying an appeal of the valuation for taxing purposes on property described by Parcel No. RP02008001007AA. The appeal concerns the 2020 tax year.

This matter came on for telephonic hearing October 13, 2020, before Board Member Leland Heinrich. Appellants Duane and Karin Wentz were self-represented. 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 affirmed.**

FINDINGS OF FACT

The assessed land value is \$188,508, and the improvements' value is \$782,271, totaling \$970,779. Appellants agree with the land value, but contend the improvements' value is \$602,907, totaling \$791,415.

The subject property is a 1.75 acre residential parcel located in the Raptorview Estates subdivision situated on the south side of the Pend Oreille River across from Priest River, Idaho. The subdivision consists of eleven (11) lots, each of which have access to a community-owned

beach and boat dock improvements. The subject parcel is Lot 7 in the development. The property is improved with a 4,696 square foot multi-level residence constructed in 2009. The property is further improved with a large detached shop and a small utility shed.

Appellants explained Lots 1 through 7 in the subdivision are separated from the water by a community-owned parcel managed by the homeowner's association, which restricts the use of the waterfront. Appellants also noted most of these lots also suffer from wetlands issues to varying degrees. Because Appellants do not enjoy the full rights and benefits of the waterfront, it was argued subject is not a "true waterfront" parcel and should not be valued as such. Respondent clarified subject was assessed on a frontage scale, but not as "true waterfront."

Appellants also challenged the increase in the assessed value of subject's other improvements. Appellants noted the combined value of the shop and shed was \$59,855 in 2019 and increased to \$116,342 for 2020. Appellants questioned why there was such a notable increase despite no physical changes being made to the improvements.

Respondent explained subject's initial assessment included boat dock improvements; however, it was learned at the hearing before the Bonner County Board of Equalization (BOE) the dock sits on the community-owned parcel. The BOE removed the value attributable to the docks, which reduced the combined value of the other improvements (shop and shed) to \$88,407. It was also explained improvement values in the area were adjusted upward by 10% for the current assessment year, which contributed to the overall increase in subject's valuation. In addition, Respondent made some changes to the quality ratings of subject's residence and garage, which further increased the respective values.

Appellants were further concerned with subject's overall assessment compared to other parcels in the subdivision. Appellants reported every lot in the development, excluding subject and one (1) other parcel, saw decreases in their respective assessed values for 2020, ranging from 8% to 28%. Subject's valuation, by contrast, increased by roughly \$182,000. In Appellants' view, subject was assessed inequitably compared to other parcels in the subdivision. Respondent explained, as part of its regular five (5) year reappraisal program, updates were made to various characteristics for properties in subject's subdivision to more accurately reflect the quality and type of improvements, as well as any wetlands issues. These adjustments resulted in varying changes in assessed values throughout the development. Respondent noted subject's land value decreased by approximately \$25,000 for 2020.

In terms of value evidence, Appellants offered their 2017 purchase of the adjacent vacant parcel, Lot 6, which is not under appeal here. It was explained that the lot was first purchased in 2016 for \$190,000. The owner was unable to get approval from the HOA to construct the improvements desired, so decided to sell the property and seek development opportunities elsewhere. Appellants reported the parcel was on the market throughout the summer of 2017, with no offers. The owner then approached Appellants about purchasing the parcel, and the parties ultimately agreed on a price of roughly \$140,000. Appellants contended the sale was an arm's-length transaction because parties did not know each other, and the purchase price should therefore form the basis for subject's land value.

Respondent disagreed Appellant's purchase of Lot 6 was an arm's-length transaction for several reasons. First, the sale was not revealed to Respondent until this appeal process, nearly two (2) years after the sale occurred. Second, the seller approached Appellants about

purchasing the property, which is not typical in the marketplace. Lastly, Lot 6 is adjacent to the subject property, and according to Respondent, there is often some atypical motivation involved in such sales. As such, Respondent did not place much weight on Appellant's purchase of Lot 6.

In terms of support for subject's assessed value, Respondent offered an analysis of three (3) recent sales. The sale residences, constructed from 1988 to 2014, ranged in size from 1,260 to 4,419 square feet. The sale properties also enjoyed waterfront ranging from 100 to 382 front feet. Respondent pointed out Sale No. 3 was separated from the waterfront by a parcel owned by the Army Corps of Engineers, so it shared similar water usage restrictions as the subject property. Sale prices ranged from \$485,000 to \$1,295,000. Each sale property was compared directly to subject, and adjustments were made for differences in physical characteristics such as size, construction quality, frontage, age, and other improvements. Respondent determined adjusted prices ranging from \$967,575 to \$1,125,432. Subject's current valuation is \$970,779.

Appellants challenged the comparability of the sales offered by Respondent. Of primary concern was the fact two (2) of the sale properties had unrestricted waterfront, whereas subject was separated from the water by a community-owned parcel. Appellants were also concerned with the location of two (2) of the sales, as they were located a few miles away near Sagle, Idaho. In all, Appellants argued the sales should be disregarded.

#### 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 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 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.

Appellants did provide one (1) recent sale for the Board’s consideration: Appellants’ purchase of the adjacent Lot 6 in August 2017 for approximately \$140,000. Though Appellants may not have had any personal relationship with the seller, there were other factors which call into question whether the sale was a true arm’s-length transaction. Of primary concern to the Board was the fact Lot 6 sits adjacent to the subject parcel. In the Board’s experience, there is often atypical motivation by one or both parties in such transactions, resulting in sale prices either above or below market value. It was also not lost on the Board the seller had already purchased another parcel up the river and needed to sell Lot 6. Further, the fact the seller

approached Appellants about purchasing the property is also not typical in the marketplace. In all, there were too many questions surrounding the circumstances of the sale of Lot 6 for the Board to place much emphasis on the purchase.

The Board was also not persuaded the subject property was inequitably assessed compared to other parcels in the subdivision. As explained by Respondent, all properties in the development were inspected as part of the county's regular reappraisal program. This resulted in changes being made to the respective property records to accurately reflect the characteristics of each parcel. In subject's case, Respondent determined the construction quality of the residence and detached shop should be increased. Other properties saw different adjustments to either the improvements or the land based on Respondent's observations during the physical inspections. In addition, a blanket 10% upward adjustment to improvements was applied throughout the subdivision, which further contributed to the increase in the improvements' valuation. That there was some variance throughout the subdivision in terms of the percentage change in total assessed value from the prior year is not surprising, nor in itself sufficient to prove inequitable assessment.

"While the courts will not attempt to correct mere mistakes or errors of judgment on the part of the assessor or board of equalization, where intentional, systematic discrimination occurs, either through undervaluation or through overvaluation of one property or class of property as compared to other property in the county, the courts will grant relief." *Anderson's Red & White Store v. Kootenai Cnty.*, 70 Idaho 260, 264, 215 P.2d 815, 817 (1950). Though the Board understands Appellants' concerns with the varying value changes in the subdivision, nothing in the record suggested subject's valuation was the result of intentional, systematic

discrimination. As such, the Board did not find good cause to adjust subject's valuation on this basis.

Respondent's sales data and analysis was better received by the Board. Each sale property was directly compared to subject, and adjustments were made for differences in property characteristics, which is typical of a sales comparison valuation model. Admittedly, there were some notable differences between subject and the sale properties, but such is not unusual when valuing unique water-influenced parcels. This is why appraisal adjustments are made for purposes of comparison with recent sales. Of particular importance, in the Board's view, was Sale No. 3, because it most closely approximated subject in terms of residence size and is also separated from the waterfront by another separately-owned parcel. This property sold for \$1,295,000, with an adjusted sale price of \$967,575. Subject's current assessed value is \$970,779, which appears reasonable given the available sales data.

Pursuant to Idaho Code § 63-511, the Appellants bear the burden of demonstrating error in subject's assessed value by a preponderance of the evidence. Given the record in this matter, the Board did not find the burden of proof satisfied. Respondent's value evidence and accompanying appraisal analysis were judged to represent the better indicator of subject's market value in this instance. Accordingly, the decision of the Bonner County Board of Equalization is affirmed.

#### 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, AFFIRMED.