

BEFORE THE IDAHO BOARD OF TAX APPEALS

FAISAL SHAH,)	
)	
Appellant,)	APPEAL NO. 20-A-1129
)	
v.)	FINAL DECISION
)	AND ORDER
ADA COUNTY,)	
)	
Respondent.)	
)	
)	
)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Ada County Board of Equalization modifying an appeal of the valuation for taxing purposes on property described by Parcel No. R7475830590. The appeal concerns the 2020 tax year.

This matter came on for telephonic hearing November 18, 2020, before Hearing Officer Travis VanLith. Appellant Faisal Shah was self-represented. Chief Deputy Assessor Brad Smith 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 parcel.

The decision of the Ada County Board of Equalization is affirmed.

FINDINGS OF FACT

The assessed land value is \$600,000, and the improvements' value is \$599,700, totaling \$1,199,700. Appellant contends the correct total value is \$1,075,000.

The subject property is a .54 acre residential parcel situated in a phase of the River Run subdivision in Boise, Idaho, commonly know as "The Island." The Island is a gated community comprised of thirty-eight (38) custom built residences surrounded by two (2) creeks and the Boise River. Residents of the subdivision enjoy exclusive access to a clubhouse, a community

pool, and two (2) tennis courts. The subdivision also provides private, gated access to the Boise Greenbelt for residents. The subject property is improved with a 3,041 square foot single-level residence constructed in 1992. The residence also includes a 792 square foot attached garage.

Appellant provided some background information leading to the current appeal. Thirty-one (31) of the thirty-eight (38) property owners in the subdivision appealed their assessments to the Ada County Board of Equalization (BOE). Ultimately, the BOE reduced all land values in the subdivision according to the three (3) lot types in the development: riverfront, creekside, and interior. Subject is a creekside lot, so the BOE reduced the land value from \$713,000 to \$600,000.

Though the reduction made by the BOE was appreciated, Appellant was still concerned with subject's assessed value compared to other properties in subject's subdivision. Appellant explained subject's residence is the smallest in the subdivision, and the lot is also one of the smallest, yet subject was assessed higher than most properties in the subdivision on a per-square-foot basis. Appellant reported an average residence size of 4,642 square feet and lot size of .70 acres for all properties in the development. Subject was assessed at roughly \$394 per square foot, whereas the average assessment in the subdivision was approximately \$330 per square foot. In Appellant's view, subject was inequitably assessed compared to others in the subdivision.

Appellant also highlighted some attributes of subject argued to diminish its market value. In addition to being the smallest residence in subject's subdivision, it was noted subject has only two (2) bedrooms, which Appellant argued is not desirable to buyers with children.

Appellant also pointed out subject is located behind another residence and is thus hidden from the main streets in the subdivision. Lastly, Appellant noted the driveway has experienced heaving, which will need to be remedied in order to sell the property. In all, Appellant regarded subject as inferior to other properties in the neighborhood and argued the assessed value should reflect such.

In terms of support for the specific value claim, Appellant offered an independent fee appraisal report with an effective date of valuation of January 1, 2020. The appraisal examined six (6) sales which occurred during 2019. Ages of the sale residences were similar to subject, though sizes ranged from 2,848 to 4,802 square feet. Sale No. 5 was located next door to subject, while the other sale properties were located outside the subdivision. Sale prices ranged from \$720,000 to \$1,750,000. Each sale property was directly compared to subject, and adjustments were made to account for differences in property characteristics such as lot size, construction quality, condition, square footage, garage size, fireplace count, and other features. The appraisal determined adjusted prices ranging from \$933,600 to \$1,249,300 and concluded a value of \$1,075,000 for subject.

Respondent explained the subdivision was trended for the 2020 assessment year based primarily on three (3) sales from the development which occurred over the prior year. Sale prices ranged from \$1,750,000 to \$3,400,000. In each instance, the sale price was higher than the assessed value, so Respondent concluded an upward market trend was needed for the development to bring values current. Prior to the adjustments made by the BOE, the trend applied to the subdivision, including the subject property, was 26%. After the BOE adjustment, subject's current valuation is nearly 15% more than 2019, which Respondent maintained was

reasonable given the available sales from the subdivision.

Focusing on subject's specific valuation, Respondent offered an analysis of five (5) sales. Sale No. 1, situated adjacent to subject, was located in the subdivision, though the remaining sale properties were located outside the subdivision. While similar in age to subject, the sale residences were all larger in size, ranging from 3,412 to 4,802 square feet. Sale prices ranged from \$1,027,000 to \$1,750,000. Respondent compared each sale property to subject and made adjustments for difference in property characteristics such as square footage, bathroom count, garage size, location, and other amenities. After adjustments, Respondent determined adjusted sale prices from \$1,382,439 to \$1,651,040. Based on the sales analysis, Respondent concluded a value of \$1,450,000 for subject, which was noted to be more than the value ordered by the BOE.

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 for determining 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.

Appellant's chief concern was subject's current valuation compared to other assessments in the subdivision. Subject was assessed at roughly \$394 per square foot, whereas the average valuation for other properties in the subdivision was approximately \$330 per square foot. While the Board understands Appellant's concerns with subject's higher valuation rate, this case illustrates the weakness of comparing properties on a per-square-foot basis.

The Island is a uniquely diverse development in Boise. Each residence in the neighborhood is a custom design, and the residences vary widely in size, from 3,041 to 10,000 square feet. Even assuming all the residences are similar in design, quality, and condition, the size variances alone would naturally result in different valuation rates. It is a well-established real estate principle that the price per square foot decreases as the size of the residence increases, assuming the properties are otherwise similar in quality, condition, location, design, and amenities. A unitary comparison is more appropriate for highly similar items; however, a unit-based comparison does not work well for dissimilar items. The residences in the neighborhood are diverse in design, quality, size, and amenities, and therefore do not easily

lend themselves to comparisons on a per-square-foot basis. Subject's higher valuation rate is also not surprising given subject is a single-level design, which costs more to construct per square foot than multi-level residences of similar quality. Lastly, and most importantly, a comparison of assessed values is not a recognized appraisal approach and therefore generally not a good basis on which to adjust values. In short, the Board did not find good cause to adjust subject's value based on its higher valuation rate compared to other properties in the subdivision.

In support of their respective value positions, both parties offered analyses based on recent sales. On the whole, both parties' analyses were found to generally be reasonable and consistent with accepted appraisal practice. The primary difference between the respective sales comparison models was in the adjustments made to the sales. Because subject's subdivision is a highly-desirable community, Respondent made heavy adjustments to the sales for differences in location. Appellant's appraisal, on the other hand, applied lesser location adjustments, but made aggressive adjustments for construction quality, condition, and square footage. Overall, gross adjustments in both parties' analyses ranged from 5.8% to 48%, with only three (3) sales receiving gross adjustments less than 20%. Such high levels of adjustment typically suggest a notable degree of dissimilarity between subject and the sale properties; however, as subject and the sale residences were all high-end custom designs with varying amenities, higher levels of adjustments are not surprising.

While the Board did not identify any specific issues with either party's sales comparison models, the value conclusion reached in Appellant's appraisal report is only roughly 20% higher than Appellant's purchase price of \$985,000 in 2017. There has been notable

appreciation in the general real estate market since 2017. To wit, properties in the subdivision initially received an upward 26% trend adjustment just for 2020 alone, prior to the BOE's decision to reduce land values in the subdivision. In the final analysis, considering all the evidence, including general market trends over the prior several years, the Board did not find error in subject's current valuation.

In appeals to this Board, the burden rests with the Appellant to establish subject's valuation is erroneous by a preponderance of the evidence. Idaho Code § 63-511. Given the record in this matter, the Board did not find the burden of proof satisfied. Both parties presented relevant sales information and analysis, which was generally well received by the Board. That being said, the Board found Respondent's valuation analysis to represent the better indicator of subject's market value in this instance, particularly where Appellant's appraisal did not apply any time adjustments to the sales, despite a rapidly appreciating real estate market.

For the reasons above, the decision of the Ada County Board of Equalization is affirmed.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Ada County Board of Equalization concerning the subject parcel be, and the same hereby is, AFFIRMED.

DATED this 19th day of March, 2021.