

BEFORE THE IDAHO BOARD OF TAX APPEALS

BRADLEY HANSON,)	
)	
Appellant,)	APPEAL NO. 21-A-1011
)	
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. RPS013300D0090A. The appeal concerns the 2021 tax year.

This matter came on for telephonic hearing September 30, 2021, before Board Member Leland Heinrich. Appellant Bradley Hanson 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 parcel.

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

FINDINGS OF FACT

The assessed land value is \$154,416, and the improvements' value is \$246,111, totaling \$400,527. Appellant contends the correct total value is \$336,294.

The subject property is a .17 acre improved residential lot located in Sandpoint, Idaho. The property is improved with a 2,057 square foot residence built in 1900, a detached one-car garage, and a shed.

Appellant purchased the subject property in October 2019 for \$307,000. Appellant reported subject's assessed value increased 28% the first year, for 2020. However, the assessment was within 10% of subject's purchase price, so Appellant did not appeal the valuation. Appellant claimed the assessment increased 60% the second year, for the 2021 assessment. Appellant noted the assessment increase from 2020 to 2021 was more than the eighteen (18) previous years' increases combined. Appellant has upgraded the electrical, plumbing, and potentially more since purchasing subject. Despite these upgrades, Appellant believed a value of \$400,527 indicates a dramatic, inflated assessment increase in the eighteen (18) months since purchase.

Appellant refinanced the home in June 2020 and requested subject's 2021 assessment value match the value opinion of \$336,294 reached in the loan appraisal. In support of this value position, Appellant provided information on twenty-four (24) sales which were stated to have transpired in 2020, though specific dates were not provided. Address, bedroom and bathroom count, square footage, and sale price were shared for each sale property. Sales ranged in price from \$190,000 to \$340,000, which Appellant claimed demonstrated subject's assessment of \$400,527 was too high in comparison to recent market activity. Appellant additionally claimed the property across the street from subject recently sold for \$300,000.

Appellant testified most homes in Sandpoint are older and need a lot of work and remodeling like subject, which is more than 100 years old and was barely habitable when purchased in October 2019. It was not until March 2020 that Appellant was finally able to move in. Before that, there was no sewer, no water hookup, the electricity was dangerous,

and there were other issues. Appellant felt Respondent relied on sales of high-end residences near the lake to justify increasing all property values in the area.

Respondent pointed out two (2) of Appellant's sales were manufactured homes and two (2) were townhomes, which would not be considered comparable to subject. Respondent did not have information for eight (8) of the remaining sales, which means they were either not sold in 2020, were not valid sales, or the assessor's office was not provided with the sales information. It was unclear if all Appellant's sales were arm's length sales, which might be why Respondent did not have information on some of them. Most of the remaining twelve (12) sale residences were smaller than subject. The majority of them sold for more per square foot than subject is valued at for 2021, which Respondent argued shows the value for subject is on the lower side.

In regard to Appellant's value request, Respondent asserted a loan appraisal is used for the purpose of securing a loan, not valuing a residence, and thus is not strong evidence of subject's market value. The primary purpose of the bank appraisal was to refinance the property. Respondent explained refinancing appraisal is done to cover and justify a lender's assessment, not set market value for tax purposes in Idaho.

Respondent described subject as being in a prime location within Sandpoint. Respondent also explained 2020 was a strong year for sales in the area, in both volume and price. Respondent testified there were over forty (40) sales in Appellant's area in 2020. In tracking 2020 sales, Respondent observed most were selling in less than a week on the market no matter the residences' condition. Respondent stated value in subject's neighborhood went up approximately 50% in 2020. Based on sales of similar properties,

and the heavy upward trend of values in subject's neighborhood, Respondent argued the assessed value of \$400,527 is fair and equitable.

Respondent's sales analysis consisted of a comparison of three (3) sales to subject which were within .6 miles. Sale No. 1 sold in October 2020 for \$637,830, and it was improved with a 1,911 square foot residence. After considering differences in property characteristics, Respondent reported an adjusted sale price of \$627,490. Sale No. 2 sold in November 2020 for \$335,000, and it was improved with a 1,345 square foot residence. Respondent adjusted for differences and gave an adjusted sale price of \$420,115. Sale No. 3 sold in September 2020 for \$439,000, and it was improved with a 2,476 square foot residence. The adjusted sale price of this property was \$415,307. The adjusted sales prices had net adjustments of 2%, 25%, and 5%, respectively.

Respondent reported all three (3) of their comparable sales properties were in the same neighborhood as subject and improved with residences of similar quality. Respondent noted Sale No. 3 is very close to subject, less than one-quarter ($\frac{1}{4}$) mile away. In addition to this, Respondent adjusted for year built, size, and outbuildings. The subject has enjoyed a well-done remodel since Appellant's purchase, and the comparable sales and upgrades are evidence subject is worth its assessment. Respondent felt confident subject was valued within 10% of its market value.

Appellant asserted Respondent's Sale No. 1 was a higher-end, newer residence with a lake view which sold for over \$600,000, approximately \$200,000 higher than subject's assessment. Respondent's Sale No. 3 was sold by a friend of Appellant, and Appellant testified he has been inside the residence which underwent much more updating than subject. Appellant testified the home was refurbished to the time period it

was built. The mechanics were replaced, it had period trim, the wallpaper was replaced, and the crawl space was dug out and insulated. Appellant estimated the seller worked on it for twenty (20) years to bring it up to the condition it was in at the time of sale. Appellant described it as a period house with extensive work.

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. There are three (3) approaches to value: the sales comparison approach, the cost approach, and the income approach. 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.

While Appellant provided a large volume of sales to support his value claim, too much information was unclear for the Board to apply much weight to this evidence. For

example, sale dates were not shared, it was unknown if all the sales were arm's-length in nature, and no adjustments were made for differences between subject and the sale properties. Additionally, if the property across the street from subject did recently sell for \$300,000, this 2021 sale is untimely to provide evidence of subject's value for the January 1, 2021, valuation date.

Respondent's sales analysis was narrower than Appellant's and included fairly good comparable sales which occurred in the immediate neighborhood. Respondent adjusted for effective age, size, and other factors. This analysis generated a rather large range of value which the Board had some concerns about, from \$415,307 to \$627,490. However, where the comparable sales were properly adjusted for differences and the adjusted sale prices were about \$15,000 to \$225,000 more than subject's current assessed value, the Board was strained to find a reduction is necessary.

Respondent also indicated market trends showed subject's neighborhood saw an average of 50% increases in assessments between 2020 and 2021. In light of this average increase, it is not surprising subject's value would increase 60%, given the extensive updates made to the residence. Factoring the neighborhood's average increase, the Board would not necessarily find such a large increase inequitable. Considering the adjusted sale prices, the Board does not find evidence to lower subject's assessed value.

In accordance with Idaho Code § 63-511, the burden is with the Appellant to establish subject's valuation is erroneous by a preponderance of the evidence. In this instance, the burden of proof was not satisfied. Appellant's sales analysis was lacking important information such as date of sale, adjustments for differences, and whether the

sales were arm's-length transactions. Respondent, on the other hand, offered a sales analysis with more complete information and adjustments, as well as a neighborhood market analysis to support the assessment, which was overall better received by the Board. Therefore, the Board affirms the decision of the Bonner County Board of Equalization.

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.

DATED this 13th day of January, 2022.

IDAHO BOARD OF TAX APPEALS