

BEFORE THE IDAHO BOARD OF TAX APPEALS

ROBERT LINDERMAN,	)	
	)	
Appellant,	)	APPEAL NO. 21-A-1015
	)	
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 denying an appeal of the valuation for taxing purposes on property described by Parcel No R0415500380. The appeal concerns the 2021 tax year.

This matter came on for telephonic hearing September 29, 2021, before Board Member Leland Heinrich. Appellant Robert Linderman was self-represented. Ada County 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 property.**

**The decision of the Ada County Board of Equalization is modified.**

FINDINGS OF FACT

The assessed land value is \$160,000, and the improvements' value is \$933,700, totaling \$1,093,700. Appellant agrees with the land value, however, contends the correct value of the improvements is \$665,000, totaling \$825,000.

The subject property is a .14 acre improved residential lot situated within the boundaries of the Historical District of Boise's desirable North End neighborhood. The

property is a 2,321 square foot three (3) story Victorian-style residence constructed in 1898. The residence includes three (3) bedrooms and three (3) bathrooms spread over the three (3) story design. The property is further improved with a 609 square foot detached garage.

Appellant purchased the subject property in early 2019 for \$480,000. At the time of purchase, the property was used as a law office and the “residence” was configured accordingly. After purchase, Appellant endeavored to revert the use of the property back to residential. In the end, these conversion efforts amounted to a complete remodel of the interior of the residence, including upgraded plumbing and electrical systems. A two (2) car detached garage was also added to the rear of the property. As the residence is located within the Historical District, Appellant’s renovation efforts had to conform to the Historical Society’s rules and design review process. According to Respondent, the Historical Society’s rules are aimed primarily at preserving the exteriors of residences situated within the boundaries of the Historical District, with few rules or restrictions concerning the interiors.

Appellant offered several arguments in favor of reducing subject’s current assessed value. Of primary concern to Appellant was subject’s location. Though Respondent reported 99% of properties in the area are used for residential purposes, the subject property is sandwiched between two (2) active commercial properties. The Children’s School of Boise flanks subject’s north and east sides, and a dentist office operates out of the adjacent property to the south. Appellant further pointed out subject is located two (2) lots from the busy Boise Co-op, which further contributes to the lively neighborhood environment. In Appellant’s view, subject’s current valuation does not

adequately reflect the uniqueness of the property's location within the broader neighborhood. Respondent argued there was insufficient data to measure any potential impact on the market value of a property located near active commercial parcels, and therefore an adjustment for subject's location was unwarranted.

Appellant also questioned the size of subject's finished basement as reflected in Respondent's records. Instead of the 500 square feet reported by Respondent, Appellant claimed the basement is only 396 square feet. Respondent did not disagree with the basement size reported by Appellant but said the county would need to measure the area before changing subject's property record. Respondent further explained that even if Appellant's measurement is correct, it would have little impact on the overall value of the property, particularly because below-grade space is valued at a notably lower per-square-foot rate.

In terms of value evidence, Appellant offered a Comparative Market Analysis (CMA) performed by a local real estate broker. Three (3) recent sales from subject's general area were included in the CMA. Sale No. 1 concerned a 1,696 square foot four (4) bedroom, three and one-half (3½) bathroom residence constructed in 2001. This .10 acre parcel sold for \$661,000, or approximately \$303 per square foot. Sale No. 2 was a .14 acre lot improved with a 2,500 square foot residence constructed in 1920. This three (3) bedroom, four (4) bathroom residence sold for \$650,000, or \$260 per square foot. Lastly, Sale No. 3 concerned a four (4) bedroom, three (3) bathroom residence situated on a .20 acre lot. Constructed in 1934, this 2,218 square foot residence sold for \$786,500, or roughly \$332 per square foot. Subject's current assessed value is \$1,093,700, or

approximately \$471 per square foot, which Appellant argued was excessive in light of the sales data presented.

Respondent questioned the comparability of the sale properties included in Appellant's CMA report. With respect to Sale No. 1, Respondent pointed out a 480 square foot Accessory Dwelling Unit (ADU) was included in the sale. Respondent stressed properties with an ADU sell differently than typical single-family residences, and therefore the sale was not a good indicator of subject's current market value as a single-family residence. Regarding Sale No. 2, Respondent explained the residence was remodeled at some time. Permits were pulled in 2003 but were never filed, so there is not a full accounting of the remodel work done. According to Respondent's limited information, the remodel project was modest, with basic finishes like linoleum flooring and stock cabinets. In Respondent's view, this sale residence was inferior to subject in terms of quality and condition. Lastly regarding Sale No. 3, Respondent noted a roughly 700 square foot addition was added to the residence in 2008, though no changes were made to the original portions of the house, including the plumbing and electrical systems. Again, Respondent viewed this residence as inferior to subject.

For additional value evidence, Appellant looked to the 2021 assessment of the adjacent dentist office compared to subject's valuation. The dentist's office is a converted Victorian style residence, similar in exterior aesthetic to the subject residence, though the interior is configured to support the ongoing business operation. The .14 acre lot size matches subject's size. For 2021, the dentist office property was assessed at \$636,100, which Appellant stressed was notably lower than subject's assessed value at nearly \$1,100,000.

Respondent explained the commercial real estate market has lagged somewhat behind the residential market, particularly in the North End. According to Respondent, the highest and best use of the subject property, and most properties in the neighborhood, is residential. Simply returning the subject property to its original residential use increased its value in the local marketplace. Accordingly, Respondent argued it would be inappropriate to compare subject's valuation to the dentist office. It was further explained the valuation method(s) used for commercial property is different than the methodology employed for residential properties. In short, Respondent disagreed subject should be compared to the adjacent commercial property, despite the physical exterior similarities of the improvements.

Respondent described the North End neighborhood as not only desirable in the Boise marketplace, but also as a highly diverse neighborhood in terms of the styles, sizes, and ages of the residences situated therein. Due to this diversity, Respondent explained finding recent sales of like property can be challenging. That being said, Respondent did offer an analysis of six (6) sales which transpired during 2020. Though none of the sales involved Victorian-style residences, the sale properties were generally similar to subject in terms of total square footage, bedroom and bathroom count, and location within the Historical District. Ages of the sale residences ranged from roughly 16 to 115 years old, and with the exception of Sale No. 6, which was constructed in 2005, all of the sale residences had been remodeled and/or updated to various degrees within the last fifteen (15) years. Sale prices ranged from \$800,000 to \$975,000, or \$332 to \$437 per square foot.

Respondent compared each sale property to subject and made appraisal adjustments for differences in property characteristics such as square footage, effective age, condition, bedroom and bathroom count, lot size, and whether the property included a garage. Respondent also applied an upward 2.25% per month time adjustment to reflect pricing levels on January 1, 2021, the relevant date of valuation in this appeal. After adjustments, Respondent calculated adjusted sale prices ranging from \$1,055,353 to \$1,276,281, or from roughly \$455 to \$550 per square foot. Respondent regarded Sale No. 1 as the most comparable to subject and the best indicator of value in this case. This property, located approximately four (4) blocks down the street from subject, was a two (2) story residence constructed in 1936 and extensively remodeled in 2007. The four (4) bedroom, three (3) bathroom residence totaling 2,196 square feet in size sold in March 2020 for \$800,000, or \$364 per square foot. After applying the monthly time adjustment and other appraisal adjustments, Respondent concluded an adjusted sale price of \$1,055,353, which was noted to closely approximate subject's current valuation of \$1,093,700. In Appellant's view, the sales offered by Respondent were not the best indicators of subject's current market value because none involved Victorian-style residences, and none were situated adjacent to active commercial properties.

#### 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 sales comparison approach, the cost approach, and the income approach comprise the three (3) recognized methods for estimating the market value of real property. *Merris v. Ada County*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). Residential property is commonly valued using the sales comparison approach, which in simplistic terms analyzes recent sales of similar property and considers adjustments for differences in property characteristics compared to the subject property.

Both parties provided recent sales for the Board’s consideration, which efforts were appreciated. Appellant offered information concerning three (3) recent sales, and Respondent submitted details on six (6) sales. Unsurprisingly, due to the diversity of properties located in the North End, there were some notable differences between subject and both parties’ sale properties. Respondent attempted to account for these differences using a traditional sales comparison approach model in which adjustments were made to the sales for differences in property characteristics compared to the subject property. After all adjustments, Respondent reported adjusted sale prices ranging from \$1,055,353 to \$1,276,281, or roughly \$455 to \$550 per square foot.

Appellant's CMA report did not make adjustments to the sales for differences in property characteristics, but rather just provided the raw sales data, which showed sale prices ranging from \$650,000 to \$786,500, or approximately from \$260 to \$332 per square foot. The subject property is currently assessed at \$1,093,700, or \$471 per square foot.

While the sales data provided by the parties was certainly relevant market value evidence, there was one (1) key difference between subject and the sale properties: location. Despite nine (9) total sales in the record, none were located next to an active commercial property, let alone adjacent to two (2) commercial properties like subject. In the Board's view, the lack of sales with similar locational influences as subject underscores the singularity of the property's location. That Respondent has been unable to identify a commercial influence factor in the sales data from the North End is not surprising, when by Respondent's own estimate, roughly 99% of the North End is residential. There simply are very few properties, if any, which closely match subject's unique location, and even fewer sales of such properties. It is a well understood in appraisal that location is a primary influence on a property's market value. And where subject is the only property in the record situated adjacent to commercial properties, the Board finds some consideration should be given in this instance for this key attribute.

Appellant purchased the subject property in early 2019 for \$480,000. After purchase, however, Appellant extensively remodeled and updated the residence, including replacement of the old plumbing and electrical, as well as the addition of a detached two (2) car garage. The use of the property was also changed from commercial to residential, which use type commands a premium in the neighborhood according to the



available market data. It should also be noted the real estate market in subject's area specifically, and the Boise metro area generally, experienced a high rate of appreciation from the time of subject's 2019 purchase and the relevant January 1, 2021, assessment date. Taking all these factors into account, along with the sales data presented, the Board concluded subject's current assessed value is somewhat overstated and should be reduced.

As for Appellant's concern regarding the size of subject's basement, the Board did not find sufficient evidence the measurement reflected in Respondent's records to be erroneous. Respondent's records enjoy a presumption of correctness, so the burden is Appellant's to prove the cited measurement is incorrect. In this case, there are only two (2) size estimates in the record; one (1) from Appellant, and one (1) from Respondent. Without more supporting evidence, there is insufficient cause to adjust the size reported by Respondent.

Idaho Code § 63-511 places the burden on the Appellant to demonstrate error in subject's valuation by a preponderance of the evidence. Given the record in this matter the Board finds the burden of proof satisfied, but did not find sufficient support for the value petitioned by Appellant. Based on the totality of the evidence, the Board will reduce subject's total assessed value to \$934,000.

Based on the above, the decision of the Ada County Board of Equalization is modified.

#### 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, MODIFIED to reflect a decrease in total value to \$934,000, with \$160,000 attributable to the land and \$774,000 to the improvements.

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.

DATED this 29<sup>th</sup> day of November, 2021.

#### NOTICE OF APPEAL PRIVILEGES

Enclosed is a Final Decision and Order of the Idaho State Board of Tax Appeals concerning an appeal.

Motion for reconsideration of the hearing record or motion for rehearing the appeal (with good cause detailed) may be made by filing such motion with the Clerk of the Board