

BEFORE THE IDAHO BOARD OF TAX APPEALS

DEREK LESLIE,)	
)	
Appellant,)	APPEAL NO. 19-A-1390
)	
v.)	FINAL DECISION
)	AND ORDER
BANNOCK COUNTY,)	
)	
Respondent.)	
)	
)	
)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Bannock County Board of Equalization modifying an appeal of the valuation for taxing purposes on property described by Parcel No. RPRRSH2000505. The appeal concerns the 2019 tax year.

This matter came on for hearing March 16, 2020 in Pocatello, Idaho before Board Members Leland Heinrich and David Kinghorn. Appellant Derek Leslie was self-represented. Appraiser Celeste Gunn 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 Bannock County Board of Equalization is reversed.

FINDINGS OF FACT

The assessed land value is \$96,750, and the improvements' value is \$609,366, totaling \$706,116. Appellant contends the total value is \$616,000, with no detail given as to allocation between land and improvements.

The subject property is a 6.95 acre rural residential parcel located in the outskirts of Pocatello, Idaho. The property is improved with a 5,586 square foot custom residence constructed in 2015. The residence includes 2,465 square feet on the main level and 2,568

square feet in the basement, of which 2,400 square feet are finished. The residence further includes an attached three-car garage, with a 721 square foot upper-level bonus room.

Appellant first questioned the valuation treatment of the bonus room above the garage. Appellant argued the bonus room should not be assessed at the same rate as main floor living space. Appellant testified the cost to finish the bonus room area was roughly \$15,000. Appellant finished the bonus room by installing insulation, drywall, and paint. The space also includes a partially finished bathroom with a toilet and a vanity, but no shower. Appellant reported the current use of the space is storage. Respondent explained the space was considered living area because it has been finished and is accessible from the interior of the main residence. Though a precise figure was not available at hearing, Respondent stated the bonus room was assessed at a little more than \$35,000.

Appellant additionally provided some information concerning four (4) recent sales of larger custom residences, including the neighboring property. Located within city limits, Sale No. 1 was a 6,329 square foot custom residence situated on a 1.76 acre parcel. Constructed in 2003, the residence was noted to include many custom features, including a custom turret staircase, Brazilian and African Mahogany custom woodwork throughout the interior, as well as extensive granite and marble finishes. The property sold in April 2018 for \$600,000. Sale No. 2 was a 9.74 acre parcel improved with a 6,600 square foot residence constructed in 2001. In addition to numerous custom features and built-ins, the property also included a roughly 1,000 square foot detached shop. The property sold in November 2018 for \$599,900. Sale No. 3 concerned a 4,699 square foot residence constructed in 2011. The 4.92 acre parcel was further improved with a 2,520 square foot detached shop and a 1,200 square foot heated

garage. This property sold in February 2018 for \$575,000. Lastly, Sale No. 4 occurred in October 2018 for \$561,500. This 4.22 acre parcel neighboring the subject property was improved with a 4,057 square foot residence constructed in 2007. The property was further improved with a detached mother-in-law quarters and a shop. The property sold in October 2018 for \$561,500. In Appellant's view, these recent sales support a reduction in subject's assessed value.

In support of its assessment, Respondent provided information and analysis concerning three (3) sales involving larger residences. The sale residences shared the same "Very Good" construction quality rating as subject. Sale No. 1 was a .413 acre parcel improved with a 4,588 square foot residence constructed in 2014, which sold for \$559,900 in May 2018. Sale No. 2 concerned a 6,046 square foot residence constructed in 2001. This .508 acre parcel sold in June 2018 for \$560,000. Sale No. 3 was a 5,618 square foot residence constructed in 2018 situated on a .71 acre parcel. The property sold in February 2018 for \$696,367. Respondent applied an upward time adjustment to each price to reflect pricing levels on the January 1, 2019 assessment date. Respondent then directly compared each sale property to subject and made individual appraisal adjustments for differences in property characteristics, such as location, lot size, finished living area, age, and other improvements. Adjusted prices ranged between \$677,632 and \$811,240, or roughly \$121 to \$145 per square foot. In comparison, subject's assessed value is \$706,116, or roughly \$126 per square foot.

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, 2019 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) 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 residential property. In general terms, the approach examines recent sales of similar property and considers differences in the property characteristics between the subject and the sale properties.

Appellant's first concern centered on the valuation of subject's bonus room above the garage. Appellant stated the cost to finish the space from an attic was roughly \$15,000, whereas Respondent assessed the area at a higher value. A precise figure was not available at hearing; however, Respondent reported the bonus room was assessed at approximately \$35,000. Though the Board appreciates Appellant's position, it is a well-established principle that cost does not necessarily equal value. With market value as the assessment standard, the relevant determination is centered the probable sale price of a property, not simply the cost to construct the improvements. Though the record was not well-developed with respect to the

specific valuation treatment of the bonus room, the available information does indicate it was not valued at the same rate as the main level square footage. In all, the Board did not find any error with respect to the valuation of the bonus room.

Turning next to the question of subject's market value, the Board appreciated the parties efforts to provide information on multiple sales for the Board's consideration. In looking at the sales, including seven (7) additional sales Respondent provided but did not directly compare to subject, there appears to be somewhat of a price ceiling around \$600,000 for these larger residences in the general area. Only one (1) property sold in excess of \$600,000, at \$696,367. This sale was included in Respondent's sales comparison model, but, based on the fact the sale price is nearly \$100,000 more than the next highest-priced sale, it appears to be an outlier in the data set. In the Board's view, this sale should have been excluded.

Respondent's remaining sales were generally better received by the Board; however, the appraisal adjustments made to the sale prices were somewhat aggressive, particularly with respect to finished living area, lot size, and age. In addition to the size of the adjustments, some of the adjustments appeared to be inconsistently applied. For instance, Sale No. 2 received a -48% location adjustment to the land, but a +12% location adjustment to the improvements. In another example, Sale No. 3 was adjusted downward by roughly \$136,000 due to the residence being three (3) years newer than subject, whereas Sale No. 2 was adjusted upward by approximately \$160,000 because the sale residence was fourteen (14) years older than subject. In all, the Board was left with too many questions concerning Respondent's analysis to place much weight on the final value conclusion.

In accordance with Idaho Code § 63-511, the Appellant bears the burden of proving

error in subject's assessment by a preponderance of the evidence. Given the evidence presented in this matter, the Board found the burden of proof satisfied. Based the sales information provided by the parties, excluding the outlier sale identified earlier, the Board finds subject's assessed value should be reduced.

Accordingly, the decision of the Bannock County Board of Equalization is reversed to reflect a decrease in subject's assessed value to \$616,580.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Bannock County Board of Equalization concerning the subject parcel be, and the same hereby is REVERSED setting the assessed value at \$616,580, with \$107,500 attributable to the land, and \$509,080 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 16th day of April, 2020.