

BEFORE THE IDAHO BOARD OF TAX APPEALS

HANENBURG TRUST,)	
)	
Appellant,)	APPEAL NO. 21-A-1036
)	
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 modifying an appeal of the valuation for taxing purposes on property described by Parcel No. RP0004400A22A0A. The appeal concerns the 2021 tax year.

This matter came on for telephonic hearing November 2, 2021, before Board Member Leland Heinrich. Trustee Daniel Hanenburg appeared at hearing for Appellant. Bonner County Chief Deputy Assessor Dina Brown represented Respondent.

Board Members Leland Heinrich, David Kinghorn, and Kenneth Nuhn join in issuing this decision.

The issue on appeal concerns the market value of an unimproved rural residential property.

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

FINDINGS OF FACT

The assessed land value is \$422,423. Appellant contends the correct value is \$225,000.

The subject property is a .42 acre rural residential parcel located in the Cape Horn Estates subdivision in southern Bonner County, near the border line with Kootenai County. The parcel has 71.91 front feet on the western shores of Lake Pend Oreille,

though because the waterfront portion of the lot is a vertical rock cliff, there is no usable beachfront, nor access to the water. Lastly, an access roadway easement crosses the parcel twice, effectively splitting the lot into three (3) parts.

Appellant first recounted the events leading to this appeal. Subject's initial assessed value was \$649,882, or \$9,037 per front foot, which equated to a roughly 220% increase over the 2020 valuation of \$203,084. Appellant disagreed with the initial valuation, so timely appealed the assessment to the Bonner County Board of Equalization (BOE). The BOE decided on a 10% reduction to account for the access easement and an additional 25% general reduction for the land, resulting in a reduced valuation of \$422,423, or \$5,874 per front foot. Though the reduction was appreciated, Appellant noted it still represented a 108% increase over the 2020 assessment and contended further downward adjustment was needed to accurately reflect subject's current market value.

Appellant disagreed with the methodology used to determine waterfront assessments throughout subject's subdivision. Appellant explained a single 2020 sale from the subdivision was used to increase all waterfront land values in the development. The sale property was a .34 acre parcel with 77.5 front feet on the lake. The property was improved with a 1,936 square foot residence constructed in 1991 which had been completely remodeled prior to its sale in September 2020 for \$1,100,000. Appellant argued Respondent attributed insufficient value to the improvements, resulting in an inflated estimate of the land value. In Appellant's view, Respondent erred in relying on this single sale to determine values throughout the subdivision.

Instead of the above-referenced sale, Appellant contended more emphasis should be given to other recent sales data. In this regard, Appellant provided information on four (4) sales which transpired during 2020. The first was the sale of Lot 8 in subject's subdivision in January 2020 for \$200,000, or \$3,030 per front foot. It was explained this sale was not disclosed to the assessor's office until June 2020, so it was not included in Respondent's valuation model for the subdivision.

The next three (3) sales were all located within approximately one (1) mile of subject in neighboring Kootenai County. These sales were also not available to Respondent at the time subject's subdivision was assessed. Sale No. 2 actually concerned two (2) adjacent vacant lots totaling .39 acres in size and a combined 137 front feet on the lake. The two (2) lots are approved for a single shared drain field, so Appellant regarded the lots as a single property for purposes of comparison. The sale closed in August 2020 for \$227,500, or \$1,661 per front foot. Sale No. 3 was a .83 acre parcel with 100 waterfront feet and improved with a 3,177 square foot residence, a 48' x 36' detached shop, and a dock with a boat lift. The property sold in June 2020 for \$995,000. Appellant noted the 2021 assessed land value was \$358,700, or \$3,587 per front foot. Lastly, Sale No. 4 concerned a .43 acre lot with 100 front feet on the lake. This property was improved with a 2,052 square foot residence with an attached two (2) car garage, as well as boat dock improvements. The property sold in August 2020 for \$995,000. The Kootenai County Assessor's Office assessed the land for \$358,700, or \$3,587 per front foot, for the 2021 assessment year.

Focusing on the three (3) sales from Kootenai County, using the sale price of the vacant lot and the land assessments of the improved sales, Appellant reported an

average frontage rate of \$2,945 per front foot. Applying this rate to subject's 71.91 front feet, Appellant calculated a value of \$211,746 for the subject lot. In the alternative, Appellant proposed using the \$2,541 per front foot rate used by the Kootenai County Assessor for a value of \$182,698 for subject.

Respondent explained there were concerns in the assessor's office that values in subject's Cape Horn Estates neighborhood were somewhat low because the last waterfront sale from the subdivision occurred in 2016. That changed in 2020, with the \$1,100,000 sale of the extensively remodeled property described earlier. Based on nearby sales of non-waterfront properties, Respondent determined improvement values in subject's subdivision were near market levels, so attributed the bulk of the \$1,100,000 sale price to the land, and adjusted waterfront values throughout the neighborhood accordingly. Following appeals by many property owners in the subdivision, Respondent was made aware of the additional sales information, and after some study, concluded the increase should have been applied to residential improvements in subject's subdivision, not waterfront values. As such, Respondent proposed subject's current valuation be reverted to the 2020 assessed value of \$203,084.

CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of market value in fee simple interest or, as applicable, a property's exempt status. This Board, giving full opportunity for all arguments and having considered all the testimony and documentary evidence submitted by the parties, 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. Idaho Code § 63-201 provides the following definition,

“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) primary methods for determining the market value of real property. *Merris v. Ada Cnty.*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). Residential property is commonly valued using the sales comparison approach, in which recent sales of similar properties are compared to the subject parcel and appraisal adjustments are made for differences in key property characteristics.

Both parties provided recent sales information, including a traditional sales comparison model developed by Respondent, which efforts were appreciated by the Board. We need not, however, analyze the relative strengths and weaknesses of the parties' data and respective analyses, because in this case, Respondent petitioned subject's current assessed value be reverted to the 2020 valuation of \$203,084, which is less than Appellant's value claim petitioned on the notice of appeal. The Board will accept Respondent's proposed valuation, subject to the below modification.

The subject parcel is encumbered by an access easement which runs through the property twice. As a result, the subject lot is split into three (3) sections separated by two (2) roadways. At the very least subject's potential development options are restricted by

the easement roads, assuming there remain viable options after factoring in the necessary setback requirements. Respondent testified subject's 2020 valuation did not include any adjustment for the easement, which was erroneous in the Board's view. A key element of a property's value lies in its development potential, and as it currently exists, subject's development potential is limited, for which an adjustment should be made. The BOE determined a downward 10% adjustment to subject's land value was adequate to account for the impact of the access easement. Without any evidence suggesting a more appropriate adjustment, the Board will utilize the 10% adjustment found by the BOE and reduce subject's value accordingly.

As the party bringing forth this appeal, Appellant bears the burden of proving error in subject's valuation by a preponderance of the evidence. Idaho Code § 63-511. Based on the evidence presented, the Board finds the burden of proof satisfied. Accordingly, the decision of the Bonner County Board of Equalization is modified to reflect a valuation of \$182,776.

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, MODIFIED to reflect a decrease in land value to \$182,776.

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 that under certain circumstances the above ordered value for the current tax year shall not be increased in the subsequent assessment year.

DATED this 1st day of February, 2022.

IDAHO BOARD OF TAX APPEALS