

BEFORE THE IDAHO BOARD OF TAX APPEALS

MACDONALD FAMILY TRUST,)	
)	
Appellant,)	APPEAL NO. 21-A-1004
)	
v.)	FINAL DECISION AND ORDER
)	
KOOTENAI COUNTY,)	
)	
Respondent.)	
)	
)	
)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Kootenai County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. V550000A002A. The appeal concerns the 2021 tax year.

This matter came on for telephonic hearing November 2, 2021, before Board Member Leland Heinrich. Co-Trustee Don Macdonald appeared at hearing for Appellant. Kootenai County Assessor Bela Kovacs 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 improved residential property.

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

FINDINGS OF FACT

The assessed land value is \$235,000, and the improvements' value is \$597,209, totaling \$832,209. Appellant contends the correct land value is \$237,300, and the improvements' value is \$393,265, totaling \$630,565.

The subject property is a .76 acre residential parcel effectively situated across the street from the Hayden Lake Country Club golf course in Hayden Lake, Idaho. The

property is improved with a 3,471 square foot residence constructed in 1992 and recently remodeled. The residence includes five (5) bedrooms, three (3) bathrooms, and an attached three (3) car garage. The property is further improved with a 960 square foot multi-purpose outbuilding.

Appellant was concerned with the percentage increase in subject's assessed value over the prior year's valuation, particularly compared to the increases experienced by other properties in the neighborhood. In this regard, Appellant provided assessment information on five (5) properties situated within a couple blocks of the subject property. Appellant reported value increases for the referenced properties ranging from 12.5% to 35.7%. By contrast, subject's assessed value increased 49.1% on an overall basis. Appellant also calculated percentage increases for just the improvements, which similarly demonstrated subject's improvements increased more than those of the other properties included in the analysis. Appellant contended subject was assessed inequitably compared to other properties in the neighborhood and argued the assessed value should have not increased more than 13% over the 2020 valuation.

Respondent explained there were several factors which led to the larger percentage increase in subject's assessed value. First, there was notable appreciation in the residential real estate market during 2020, which Respondent estimated at 15% for the year. Second, subject's residence was extensively remodeled during late 2019 and early 2020, which Respondent did not learn about until Appellant's purchase of the property in July 2020. Lastly, the 960 square foot outbuilding was added to the property during 2020, so had not been previously assessed. Respondent maintained subject was

not assessed inequitably, stating the large increase was instead primarily due to the considerable changes made to the property's characteristics.

In terms of support for subject's current valuation, Respondent provided detailed information concerning four (4) sales from 2020. The first three (3) sales were located in subject's specific geo-economic area, or neighborhood, while the fourth sale was situated less than one-half ($\frac{1}{2}$) mile from subject in an adjacent neighborhood. Sale No. 1 was Appellant's purchase of the subject property in July 2020 for \$875,000. Respondent explained the property had previously sold in November 2019 for \$579,000. The new owner completely renovated the residence and constructed the outbuilding prior to Appellant's purchase. Respondent was unaware of the remodel because no permits were pulled for the work done. A permit was pulled for the outbuilding, so Respondent knew of that improvement at the time it was constructed. The Multiple Listing Service (MLS) summary sheet for the property remarked, "The yard is gigantic (over $\frac{3}{4}$ acre) even with the brand new shop! The home has been completely remodeled with a brand new kitchen, quartz counter tops, new shop, redesigned for an open floor plan, new roof, new bathrooms, and more." Respondent provided interior photographs of the residence prior to and after the renovation to illustrate the level of updating to the residence. Appellant questioned the accuracy of the sale price information and the photographs but refused to disclose the actual purchase price or to identify any errors or misperceptions in the photographs.

Sale No. 2 included in Respondent's analysis was located on subject's same road, roughly 750 feet from the subject property. This sale residence, constructed in 2020, was a 2,405 square foot three (3) bedroom, two and one-half ($2\frac{1}{2}$) bathroom residence

situated on a .14 acre parcel. The property sold in September 2020 for \$799,000. Sale No. 3, located on an adjacent street, concerned a four (4) bedroom, two and one-half (2½) bathroom residence with 2,310 square feet of living space. The residence was constructed in 1995, but had been updated at some point in time, resulting in an effective year-built of 2005. This property sold in July 2020 for \$560,000. Lastly, Sale No. 3 concerned a .78 acre parcel improved with a seven (7) bedroom, three (3) bathroom residence constructed in 2000. The 5,241 square foot residence had not been updated since its original construction. This property sold in August 2020 for \$990,000.

Respondent used the above sales data to develop a sales comparison model. An upward time adjustment of 1.25% per month was first applied to the respective sale prices to reflect pricing levels on January 1, 2020, the relevant date of valuation in this appeal. Each sale property was then directly compared to subject, and appraisal adjustments were made for differences in property characteristics such as gross living area, construction quality, lot size, age, condition, and other amenities. The result was adjusted sale prices ranging from \$797,010 to \$937,344. Subject's current assessed value is \$832,209, noted by Respondent to be within the range indicated by the sales model, and appreciably less than Appellant's July 2020 purchase price of \$875,000.

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 three (3) primary approaches for determining market value are 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 the differences in property characteristics between subject and the sale properties.

Appellant argued subject’s nearly 50% increase in assessed value was inconsistent with the value increases other properties in the neighborhood experienced for 2021. Appellant reported value increases ranging from 12.5% to 35.7% for five (5) nearby properties. In Appellant’s view, subject was assessed inequitably. While the Board understands Appellant’s concerns, a full review of the record did not reveal inequitable assessment of the subject property. Quite the contrary; subject’s current valuation appears to be on the lower end of the indicated range of value, as discussed below.

While subject received the largest percentage increase of the properties selected by Appellant, it was not due to inequitable assessment treatment, but was rather the result of extensive improvements made to the subject property prior to the 2021 assessment.

As detailed in the MLS data sheets and the photographs offered by Respondent, the subject residence was thoroughly renovated, including a new roof, a re-configured floor plan, updated kitchen and bathrooms, plus many other improvements. The property was further improved with a new 960 square foot outbuilding in 2020. None of these improvements had been previously assessed, so adding the value of these amenities to subject's property record contributed greatly to the current assessment. Factoring market appreciation over the prior year, which Respondent conservatively estimated at 15%, it is not surprising subject's assessed value increased 49.1% for 2021.

As the Idaho Supreme Court observed in *Xerox Corp. v. Ada Cnty. Assessor*, "an individual who claims that a selective assessment procedure had deprived him or her of the protection guaranteed by the state constitutional requirement of uniformity of taxation must show a deliberate plan to discriminate based upon an unjustifiable or arbitrary classification." 101 Idaho 138, 144, 609 P.2d 1129, 1135 (1980). There was nothing in the record to indicate subject's assessment was the result of a deliberate plan to discriminate based upon an unjustifiable or arbitrary classification. The reasons for subject's increase in valuation were well-documented and supported in the rather thorough evidentiary record offered by Respondent.

In terms of support for subject's valuation, Respondent developed a traditional sales comparison approach model using four (4) recent sales, including Appellant's July 2020 purchase of the subject property for \$875,000. The sale properties were each compared to subject, and adjustments were made for noted differences in property characteristics. The model also included a time adjustment factor to reflect pricing levels on the effective date of valuation. In short, Respondent's methodology was consistent

with accepted appraisal standards and was generally well-received by the Board. The analysis suggested a range of value for the subject property from roughly \$797,000 to \$937,000. Interestingly, subject's purchase represented the highest adjusted sale price of the group, and its only adjustment was for time at a rate of 1.25% per month. Subject's current assessed value is \$832,209, which is within the range indicated by the sales and notably lower than subject's \$875,000 purchase price from approximately five (5) months prior to the assessment date. Stated differently, there was nothing in the record evidencing inequitable assessment treatment of the subject property.

There was an additional issue raised by Appellant that the Board feels compelled to address. Appellant questioned the veracity of subject's \$875,000 purchase price reported by Respondent, considering the information was not disclosed to the assessor's office by Appellant. In short, Appellant implied the \$875,000 purchase price was erroneous or otherwise an untrustworthy figure. The problem with Appellant's suggestion of error is that Appellant has consistently refused to disclose the purchase price despite multiple inquiries, including during the hearing in this matter. If the purchase price was erroneous as suggested by Appellant, then Appellant would naturally be in the best position to prove the error. No such proof was offered, however, and it is wholly inadequate to allege error in the price reported by Respondent without evidence to substantiate the claim. As Appellant is well-aware, the sale price was sourced from the Coeur d'Alene Multiple Listing Service, as clearly indicated on the MLS data sheets included in Respondent's exhibit materials. Absent compelling proof to the contrary, the Board is satisfied the \$875,000 reported by Respondent was subject's purchase price.

Pursuant to Idaho Code § 63-511, Appellant bears the burden of proving error in subject's valuation by a preponderance of the evidence. The Board did not find the burden of proof satisfied in this instance. Appellant's only evidence consisted of assessed values of several properties in the area. A comparison of assessed values, however, is not a recognized appraisal approach. Subject's current valuation was supported by relevant market data and sound appraisal analysis developed by Respondent. Many improvements were made to the subject property immediately prior to Appellant's purchase, and the current valuation reflects such. In all, the Board did not find error in subject's assessment.

Given the above, the decision of the Kootenai County Board of Equalization is affirmed.

FINAL ORDER

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

DATED this 1st day of February, 2022.