

BEFORE THE IDAHO BOARD OF TAX APPEALS

HOSSEIN NIKDEL,)	
)	
Appellant,)	APPEAL NO. 21-A-1045
)	
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. RP0004400A0160A. The appeal concerns the 2021 tax year.

This matter came on for telephonic hearing November 3, 2021, before Board Member Leland Heinrich. Appellant Hossein Nikdel was self-represented. Bonner County Appraiser Rachel Castor 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 Bonner County Board of Equalization is modified.

FINDINGS OF FACT

The assessed land value is \$737,051, and the improvements' value is \$431,413, totaling \$1,168,464. Appellant contends the correct land value is \$486,737, and the improvements' value is \$412,926, totaling \$899,663.

The subject property is 1.13 acre residential parcel with 183 front feet on the southwestern shores of Lake Pend Oreille. The property is located in the Cape Horn

Estates subdivision a couple miles east of Bayview, Idaho. The topography of the subject lot is steep with no standing room along the entirety of the shoreline. The parcel is improved with a 2,080 square foot multi-level residence constructed in 2016. The property is further improved with a boat dock and a multi-purpose outbuilding situated near the waterfront.

The subject property was originally assessed at \$1,409,815 for the 2021 assessment year, with subject's land value increasing from \$394,777 to \$978,402, a nearly 250% increase over the prior year's valuation. The increase was due to the October 2020 sale of Lot 9, an improved waterfront property located in subject's subdivision. Respondent explained there had not been any waterfront sales in the neighborhood since 2016, so the 2020 sale from the subdivision was the only recent sale. Respondent used this sale to develop a waterfront valuation model, which increased land values for all waterfront parcels in the subdivision. Appellant disagreed with the new valuation so timely filed an appeal with the Bonner County Board of Equalization (BOE). Other owners in the subdivision also appealed their assessments.

During the BOE appeal process, property owners made Respondent aware of some additional sales information, including one (1) from subject's subdivision and several from neighboring Kootenai County located just across the county line in the same Bayview area. Respondent analyzed the new sales data, particularly the vacant lot sales, and concluded its original waterfront valuation model needed to be adjusted. Against this backdrop, the BOE decided to reduce subject's land value by 25%. All waterfront parcels in the subdivision received the 25% reduction, though some also received an additional 10% adjustment due to physical detriments specific to those parcels, such as inaccessible

waterfront. Appellant was appreciative of the BOE's value reduction, but questioned whether the adjustment was sufficient to result in an accurate estimate of subject's current market value.

Appellant contended Respondent's original valuation model, based on just a single sale, was flawed and produced unreliable results. Appellant explained the sale property in question was extensively remodeled prior to sale. Some of the updates included a new roof with added skylights, new fiber cement exterior siding and insulation, rebuilt upper deck and replaced decking on the other decks and boat dock, new doors and windows, new septic tank and pump, new split-duct HVAC system, relocated kitchen and new cabinets and high-end appliances, upgraded plumbing and light fixtures, updated bathrooms, and other improvements. The prior owner also constructed a detached three (3) car air-conditioned garage with shop space in the loft. In Appellant's view, Respondent allocated too little of the \$1,100,000 purchase price to the freshly renovated improvements, resulting in an inflated land value, which was then applied throughout the waterfront parcels in the subdivision.

To illustrate the weakness in Respondent's valuation model, Appellant applied it to the available sales data. After removing calculated land values from the respective sale prices, Appellant reported residual values for the improvements ranging from -\$107 to \$65 per square foot. The model did not perform much better after inserting the 25% reduction ordered by the BOE into the analysis, with residual improvement values ranging from -\$7 to \$164 per square foot. After producing such unrealistic results, Appellant argued the valuation model should be abandoned.

Appellant also provided waterfront assessment data from neighboring Kootenai County in an effort to demonstrate Respondent's waterfront land values are inflated. According to information obtained from the Kootenai County Assessor's office, the base valuation rate for improved waterfront properties in the Bayview area for 2021 was \$3,587 per front foot for the first 100 feet of shoreline. By contrast, Respondent's model utilized a rate of \$8,489 per front foot for subject's first 100 front feet in its initial assessment of the property, which rate was reduced to \$6,366 per front foot by the BOE. Appellant questioned why waterfront values were so much higher in the Bonner County portion of the neighborhood, given that the waterfront is the same as the waterfront on the Kootenai side of the county line.

Respondent acknowledged its original valuation model based on the single sale of Lot 8 needed to be adjusted in light of the new sales information brought forth by property owners in subject's subdivision. After considering the new sales data, Respondent concluded waterfront land values in the neighborhood should revert to the 2020 valuations; however, improvements needed to be increased by 75%. Accordingly, Respondent petitioned subject's land value be reduced to \$394,777, and the improvements increased to \$754,973

In support of the new land value request, Respondent provided an analysis of three (3) vacant lot sales from 2020. Sale No. 1, located in subject's subdivision, concerned an unimproved waterfront parcel with 66.23 front feet on the lake, which sold in October 2020 for \$200,000, or \$3,020 per front foot. After adjusting the sale price upward for having less lake frontage than subject, Respondent calculated an adjusted sale price of \$391,269, or \$2,138 per front foot. Sale No. 2 involved two (2) adjacent lots in Kootenai

County with a combined shoreline of 137 front feet and an August 2020 sale price of \$227,500. After adjusting for shoreline length, Respondent concluded an adjusted sale price of \$323,456, or \$1,768 per front foot. Lastly, Sale No. 3, with an October 2020 sale price of \$310,000, concerned a vacant Kootenai County lot with 118 front feet on the lake. Respondent calculated an adjusted sale price of \$445,590, or \$2,436 per front foot. Respondent's proposed land value for subject of \$381,777 equates to a valuation rate of \$2,086 per front foot, which Respondent highlighted was squarely within the range indicated by the adjusted sale price data.

In similar fashion, Respondent developed a sales comparison model in support of subject's total proposed valuation of \$1,149,750. This analysis included the Lot 9 sale from subject's subdivision and two (2) improved sales from Kootenai County. Sale No. 1 concerned a .83 acre parcel with 100 waterfront feet. The property was improved with a 3,177 square foot residence constructed in 1953 and updated in 2007 and 2018. Other improvements included a private dock and covered boat lift, as well as a large shop with RV parking and space for four (4) vehicles. This property sold in June 2020 for \$995,000. Sale No. 2 was the \$1,100,000 sale from subject's subdivision with 64 front feet on the lake and a 1,936 square foot residence completely renovated prior to sale. Sale No. 3 concerned a 2,052 square foot residence situated on a .43 acre parcel with 100 feet of shoreline. Though constructed in 1982, the sale residence was remodeled in 2018. This property sold in August 2020 for \$995,000. Respondent directly compared each sale property to subject and made adjustments for differences in property characteristics such as gross living area, construction quality, condition, age, shoreline length, and other improvements. Respondent calculated adjusted sale prices of \$788,324 for Sale No. 1,

\$1,294,875 for Sale No. 2, and \$1,176,257 for Sale No. 3. Respondent's proposed total valuation for subject is \$1,149,750.

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, 2021, 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) primary methods for determining market value. *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 differences in the property characteristics between subject and the sale properties.

Though the parties differed in their opinions of total market value for the subject property, both agreed the value determined by the BOE was erroneous. Specifically, the parties agreed subject's current land valuation was too high, a position with which the

Board concurs. After reviewing the vacant waterfront sales provided by owners from subject's subdivision, Respondent concluded subject's 2020 land value of \$381,777 (plus \$13,000 for onsite improvements), or \$2,086 per front foot, was a better estimate of the current land value than the \$737,051 value ordered by the BOE. The Board agrees subject's 2020 land value represents the more accurate value estimate, as evidenced by Respondent's sales comparison model which concluded adjusted sale prices ranging from \$1,768 to \$2,438 per front foot. At \$2,086 per front foot, subject's land value falls well within the range indicated by the sales and corresponding analysis. The Board will reduce subject's land value accordingly.

The primary divergence between the parties' respective value opinions centered on the value attributable to subject's improvements, with Respondent arguing the value of the improvements should be increased from roughly \$430,000 to \$755,000, and Appellant arguing the improvements' valuation be reduced to approximately \$413,000. While the Board appreciated Respondent's efforts to develop a valuation model based on recent sales activity from the area, there were some concerns with the analysis from the Board's perspective. One (1) such concern was the level of gross adjustments made to Sale Nos. 1 and 2, which were adjusted 45% and 31%, respectively. Such levels of adjustment suggest a notable degree of dissimilarity with the subject property, which in turn weakens the reliability of the value conclusion reached thereunder. The Board understands Respondent was limited to the few sales which were available, but the high adjustments were nonetheless a cause for concern.

The Board also questioned Respondent's position that the value of subject's residence should be increased to what equates to \$341 per square foot. This figure did

not appear to match up with any of the other sales or assessment data in the record. For instance, according to the property record for the \$1,100,000 sale of Lot 9 from subject's subdivision, the newly remodeled residence was assessed at approximately \$150 per square foot, less than one-half ($\frac{1}{2}$) the rate Respondent proposed for subject's residence. Further, in its own sales comparison model, Respondent adjusted differences in square footage at a rate of roughly \$222 per square foot. Interestingly, the \$222 per square foot rate is consistent with a verbal quote of \$200 to \$250 per square foot Appellant received from a local contractor to build a residence similar in quality and amenities to the subject residence. While Respondent might be correct that improvement values in the subdivision need to be broadly increased, the Board was not convinced Respondent's revised valuation model yielded the most reliable results in subject's case. Given the multiple concerns with accuracy and dependability of the analysis, the Board was disinclined to accept Respondent's proposed value of roughly \$755,000 for subject's improvements.

In accordance with Idaho Code § 63-511, Appellant bears the burden of proving error in subject's valuation by a preponderance of the evidence. Given the record in this matter, the Board found the burden of proof satisfied. The sales data supports a reduction in subject's land value back to the 2020 valuation of \$394,777, which includes Respondent's standard county-wide rate of \$13,000 for onsite improvements. Due to the various questions concerning the analysis related to the value of subject's residence, and finding no better-supported value indication in the record, the Board will leave the 2021 assessed value of subject's improvements undisturbed at \$431,413.

Based on the above, the decision of the Bonner County Board of Equalization is modified to reflect a decrease in total valuation to \$826,190.

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 to \$826,190, with \$394,777 attributable to the land and \$431,413 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 8th day of February, 2022.