

BEFORE THE IDAHO BOARD OF TAX APPEALS

WADE AND SHANNEL SODERBECK,	)	
	)	
Appellants,	)	APPEAL NO. 21-A-1062
	)	
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. RP0004400A0020A. The appeal concerns the 2021 tax year.

This matter came on for telephonic hearing November 17, 2021, before Board Member Leland Heinrich. Appellant Shannel Soderbeck was self-represented. Bonner County Chief Deputy Assessor Dina Brown 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 \$474,853, and the improvements' value is \$180,129, totaling \$654,982. Appellants agree with the value of the improvements, but contend the correct land value is \$236,249, for a total valuation of \$416,378.

The subject property is a steeply sloped .37 acre waterfront parcel with 67.1 front feet on western side of Lake Pend Oreille. The property is located in the Cape Horn

Estates subdivision a couple miles east of Bayview, Idaho, near the Kootenai County line. The subject property is the first developed parcel inside the subdivision gates, just steps from Kootenai County. The property is improved with a two (2) bedroom, two (2) bathroom multi-level residence constructed in 1979. Subject's property record reported 2,096 square feet as the total size of the residence; however, Appellants clarified that because the residence was constructed on a large granite outcropping, only one-half ( $\frac{1}{2}$ ) of the basement space is useable. The basement primarily serves as the mechanical room. The property is further improved with three (3) small utility sheds, as well as a wooden staircase with 167 steps down to the wooden boat dock, which wraps around the large granite outcropping that consumes most of the shoreline.

Appellants purchased the subject property in October 2019 for \$500,000, after it had been listed on the open market for nearly 400 days. It was noted the residence and dock improvements were in mostly original condition, with no notable updates since the 1979 construction. Appellants further explained the residence came fully furnished, down to kitchen utensils and garden tools. Respondent was not notified of subject's purchase price at the time of sale, so was unable to include it in its sales study of the neighborhood.

Appellants contended there were inconsistencies in assessed values in subject's neighborhood and argued subject's valuation was adversely impacted as a result. Of particular concern was the assessment of a nearby property located at 100 Grand View Lane. This property sold in October 2020 for \$1,100,000. Prior to sale, the 100 Grand View Lane property had been extensively remodeled. Some of the upgrades included replacing the roof and adding skylights; installing new doors and windows; relocating the kitchen and installing new premium appliances; upgrading the plumbing and light fixtures;

updating the bathrooms and bedrooms; adding a new split-duct HVAC system; and rebuilding the upper deck and replacing the decking on both decks, steps, and the dock with composite material. The prior owner also added an air-conditioned three (3) car detached garage with shop space in the loft.

Appellants compared the 2021 assessed value of the improvements for 100 Grand View Lane to the new value Respondent proposed for subject's improvements. The valuation of the improvements on 100 Grand View Lane totaled \$358,913. For purposes of comparison, Appellants removed the assessed value of the detached garage because the subject property has no garage, which left a value of approximately \$313,000 for the remaining improvements, primarily the residence. Respondent's proposed valuation for the subject improvements was roughly \$315,000, which Appellants noted closely approximated the assessed value of the 100 Grand View Lane improvements. With such similar values, Appellants reasoned that the residences should favorably compare with one another but argued such was not the case. Appellants offered photographic comparisons highlighting the differences between the newly remodeled residence at 100 Grand View Lane and the subject residence constructed in 1979 with no notable updates. In Appellants' view, the subject residence was vastly inferior to the 100 Grand View Lane residence and should therefore not be valued similarly.

Appellants additionally provided some sales information from 2019 and 2020 as well as some various analyses of the sales prepared by other waterfront owners in the subdivision who also appealed their 2021 property assessments. Three (3) of the sales were vacant waterfront lots purchased in 2020, with sale prices ranging from \$200,000 to \$310,000. Six (6) of the sales concerned improved waterfront properties purchased in

2019 and 2020. The improved properties varied widely in the quality and type of improvements and amenities. Sale prices ranged from roughly \$500,000 to \$1,100,000. Appellants made no direct comparisons between subject and the sale properties but contended the sales in the \$500,000 range were more representative of the subject property than the \$1,000,000 sales.

Respondent explained waterfront values in subject's subdivision were increased for 2021 based on the sale of 100 Grand View Lane, which was the only waterfront sale from the subdivision reported to Respondent since 2016. Respondent used this sale to develop a valuation model for the neighborhood, which resulted in sharply increased land values for 2021. Subject's land value increased to \$628,804 for 2021, more than triple the 2020 valuation of \$205,434. Appellants filed an appeal of subject's valuation with the Bonner County Board of Equalization (BOE), as did other waterfront owners in the subdivision. It was during the BOE process Respondent was made aware of additional sales information from the Bayview area. Ultimately, based on the new sales data, the BOE determined to reduce waterfront land values throughout the subdivision by 25%, with further adjustments for those parcels with additional issues. Subject received the blanket 25% adjustment, resulting in a revised land value of \$474,853.

Following the BOE appeal process, Respondent further studied the newly disclosed sales data and developed a new valuation model for the subdivision's waterfront parcels. The land value model utilized three (3) vacant lot sales. Sale No. 1, located in subject's subdivision, concerned an unimproved parcel with 66.23 feet of waterfront. This property sold in January 2020 for \$200,000, or \$3,020 per front foot. Sale Nos. 2 and 3 were both located in neighboring Kootenai County. Sale No. 2 involved two

(2) adjacent lots with a combined 137 front feet on the lake and an August 2020 sale price of \$227,500, or \$1,661 per front foot. Sale No. 3 concerned a lot with 100 waterfront feet which sold in October 2020 for \$310,000, or \$2,627 per front foot. Each sale lot was compared to subject, and adjustments were made for differences in shoreline length, resulting in adjusted sale price rates from \$1,472 to \$3,209 per front foot. Based on this, Respondent concluded subject's 2020 land value of \$192,434, or \$2,868 per front foot, was better supported by the sales than the current valuation, so petitioned the value be changed accordingly.

Respondent also developed a sales comparison model in support of subject's total valuation. Three (3) improved sales were included in the comparative analysis: the 100 Grand View Lane sale from subject's subdivision for \$1,100,000 and two (2) from Kootenai County, each of which sold for \$995,000. The sale properties were compared to subject, and appraisal adjustments were made for differences in property characteristics including construction quality, condition, age, gross living area, shoreline length, and other improvements. The result was adjusted sale prices ranging from \$489,394 to \$771,030. Respondent proposed the value of subject's improvements be increased by 75%, to \$315,226, which calculates to a total value of \$520,660 after adding the above proposed land value.

#### 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). Residential property is typically valued using the sales comparison approach, which in simple terms compares recent sales of similar property to the subject property and makes adjustments for noted differences in property characteristics.

Appellants’ primary concern centered on the proposed valuation of subject’s improvements compared to the 2021 assessed value of the improvements situated on the 100 Grand View Lane property. Excluding the value of the detached garage, the improvements at 100 Grand View Lane were assessed at approximately \$313,000, which Appellants highlighted was nearly the same as Respondent’s proposed valuation of roughly \$315,000 for subject’s improvements, despite subject being older and inferior in both quality and condition. While the Board appreciates Appellants’ concern, a comparison of assessed values is not a recognized appraisal approach and generally is not considered the best evidence of market value. Even if such were not the case, Appellants’ argument is flawed because it is based on a faulty comparison.

The new proposed value of subject's improvements was developed using Respondent's revised valuation model, whereas the improvement values of 100 Grand View Lane referenced by Appellants were the original 2021 values determined utilizing the old valuation model. Using the new model to increase the value of the improvements on 100 Grand View Lane by 75% yields an adjusted value of \$547,750 (excluding the detached garage), which is notably higher than the proposed valuation of \$315,000 for subject's improvements using the same model. For comparison, the initial 2021 valuation of subject's improvements was \$180,129, which again is markedly less than the original 2021 valuation of 100 Grand View Lane's improvements at \$313,114. This demonstrates Respondent recognized notable differences exist between the respective residences and accompanying improvements. In short, the Board was unpersuaded by Appellants' comparison of improvement values, or that subject was valued inequitably.

The Board also had some concerns with Respondent's sales comparison analysis. Specifically, there were questions of comparability between subject and the three (3) improved sale properties. Most noticeable was each of the sale properties sold for roughly \$1,000,000, whereas Respondent's proposed valuation for subject is approximately one-half ( $\frac{1}{2}$ ) that amount. The differences were evident by the net adjustments made to the respective sale prices, which ranged from 28% to 51%. Gross adjustments were even higher. Such levels of adjustment suggest a high degree of dissimilarity between subject and the sale properties and serve to undermine the reliability of the resulting value conclusion. The Board understands Respondent was limited to only a handful of sales, but there were several sales in the \$500,000 price range that appeared to better compare

to the subject property which were not considered. In any event, the Board was hesitant to rely heavily on Respondent's sales comparison analysis.

In reviewing the sales data, one (1) sale stuck out to the Board, that being Appellants' purchase of the subject property in October 2019 for \$500,000. Given the comparability concerns between subject and the other sale properties, the Board found Appellants' arm's-length purchase of the subject property roughly one (1) year prior to the January 1, 2021, assessment date a reliable starting point. As explained by Appellants, the residence came fully furnished, so there was a notable amount of personal property included in the transaction, the value of which needs to be removed from the purchase price to identify the value of the real property. Appellants did not provide a detailed breakdown of the personal property included, nor an estimated value of the property, but Appellants testified the residence was "completely move-in ready" with every typical household item included, which is consistent with the description on the Multiple Listing Service data sheet of, "everything included down to the dishes." Based on Appellants' description of the personal property included, in addition to the many interior photographs, the Board will estimate the value of the personal property at \$80,000, which leaves \$420,000 attributable to the real property. Applying the same 15% market appreciation rate advocated by Appellants, which was derived from the sales, yields a total current market value of \$483,000.

In accordance with Idaho Code § 63-511, Appellants bear the burden of proving 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, though did not find sufficient support for the value petitioned by Appellants. Appellants' value claim was \$416,378, which is



roughly \$85,000 less than subject's purchase price from approximately one (1) year prior to the assessment date. This position is curious to the Board, because it runs contrary to Appellants' contention the market appreciated 15% during 2020. Furthermore, Appellants acknowledged the subject property compared well with the other sales properties in the \$500,000 range from 2019, so it does not follow subject's assessed value should be roughly \$85,000 less. In the end, subject's purchase was judged to represent the best evidence of current market value in this particular instance. After removing the value of the personal property from the purchase price and factoring market appreciation, the Board will reduce subject's assessed value to \$483,000. The decision of the Bonner County Board of Equalization is modified accordingly.

#### 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 total valuation to \$483,000, with \$205,434 attributable to the land (which includes \$13,000 for onsite improvements) and \$277,566 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 Appellants.

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.