

BEFORE THE IDAHO BOARD OF TAX APPEALS

K&L CRYSTAL BEACH, LLC,	)	
	)	
Appellant,	)	APPEAL NO. 21-A-1055
	)	
v.	)	FINAL DECISION AND ORDER
	)	
VALLEY COUNTY,	)	
	)	
Respondent.	)	
	)	
	)	
	)	

---

**RESIDENTIAL PROPERTY APPEAL**

This appeal is taken from a decision of the Valley County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. RPM031500A0240. The appeal concerns the 2021 tax year.

This matter came on for telephonic hearing November 9, 2021, before Board Member Kenneth Nuhn. Member Kathleen Glover appeared at hearing for Appellant. Valley County Assessor June Fulmer 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 Valley County Board of Equalization is affirmed.**

FINDINGS OF FACT

As the subject property is a condominium, there is no land value assessment; however, the improvements' value is \$706,552. Appellant contends the correct value of the improvements is \$507,187.

The subject property is a condominium unit located in the Crystal Beach Condominiums development situated along the southern shores of Payette Lake in

McCall, Idaho. The Crystal Beach Condominiums project is a sixty (60) unit condominium development constructed in 1971 spread across three (3) buildings. The development includes both two (2) and three (3) bedroom units, some with vaulted ceilings and lofts. The subject property is a 1,082 square foot two (2) bedroom unit with no loft or vaulted ceilings.

Appellant was concerned with the increase in subject's valuation, which rose from \$422,504 in 2020 to \$706,552 in 2021. Of particular concern was subject's assessed value compared to the valuations of other units in the development. In this regard, Appellant highlighted the assessment of the two (2) bedroom unit adjacent to subject. It was noted both units had the same floor plan, just mirror images of each other. The only notable difference was the neighboring unit has not been updated since the original construction in 1971, whereas the subject unit was remodeled in 2006. For the 2020 assessment year, both units were assessed the same, at \$422,504. However, for 2021, subject's valuation jumped to \$706,552, while the adjacent unit's assessed value increased to \$441,600. Though the subject unit was updated in 2006, Appellant questioned how a fifteen (15) year old remodel equates to a roughly \$265,000 difference in assessed values between two (2) otherwise identical condominium units.

Appellant also provided assessment information for all the other units in the Crystal Beach Condominiums development, with particular focus on the varying levels of change in the respective assessed values. Appellant pointed out subject's current valuation was higher than forty-three (43) other units in the development, including roughly one-half ( $\frac{1}{2}$ ) of the three (3) bedroom units. Appellant reported an average assessment rate of approximately \$536 per square foot for all remodeled two (2) bedroom units in the

development, a valuation rate of \$559 per square foot for all remodeled units throughout the development, and a rate of roughly \$469 per square foot for the remodeled units in Building A, the building in which subject is located. Subject's current valuation of \$706,552 equates to a valuation rate of \$653 per square foot, which Appellant argued was inequitable compared to the referenced average assessment rates.

Appellant also had questions regarding how common area ownership interests are incorporated into an assessment. Appellant noted its ownership interest in the development's common area was one of the smaller interests in the project due to subject's size and was curious how that factored into the valuation. Respondent testified it does not assess common area interests and stated any value attributable to common area ownership interests is inherently reflected in the sale prices from the development. Respondent explained a condominium project's common area amenities are naturally a part of a buyer's decision to purchase a unit in one particular project over another, and the sale price will naturally reflect the level of difference in the common area amenities.

Respondent acknowledged the increase in subject's assessed value for 2021 appeared dramatic but explained there were valid reasons for the current valuation. In 2019, Respondent learned of some serious foundation issues impacting the building in which subject is located. As a result, Respondent reduced values in the building by \$45,000 and froze those values for the following 2020 assessment year. The foundation issue was remedied prior to the 2021 assessments, so Respondent removed the \$45,000 adjustment and brought values up to current market levels. Respondent maintained subject's current valuation was consistent with recent condominium sales data from

subject's development, as well as sales from other lakefront condominium projects in the area.

In terms of subject's specific valuation, Respondent offered information on eleven (11) recent condominium sales. Six (6) sales were from subject's Crystal Beach Condominiums development, and five (5) were from other lakefront condominium projects. All of the sale properties from Crystal Beach Condominiums had been remodeled at some point since the original construction in 1971. It was not clear if the condominium sales from outside subject's project had likewise been updated prior to sale. Of the sales from subject's development, three (3) concerned the same two (2) bedroom floor plan as the subject unit, one (1) was a two (2) bedroom unit with a loft, and the remaining two (2) involved three (3) bedroom units. Sale prices of the 1,389 square foot three (3) bedroom units were \$875,000 and \$885,000, with time-adjusted sale prices of \$875,000 and \$921,285, or \$630 and \$663 per square foot, respectively. The two (2) bedroom unit with a loft sold in July 2020 for \$750,000, with a time-adjusted price of \$788,438, or \$729 per square foot. Sale prices for the two (2) bedroom units with the same floor plan as subject were \$557,900, \$770,000, and \$795,000, and had time-adjusted prices of \$620,803, \$770,000, and \$827,597, or \$574, \$712, and \$765 per square foot, respectively.

Details concerning the sales located outside subject's development were limited in the record, with only construction quality, condition, effective age, and size provided by Respondent. The sale units ranged in effective age from 1972 to 2010, and in size from 475 to 1,848 square feet. Though all were considered to be "average" in condition, the sale units varied widely in terms of construction quality, from "average" to "very good."

Sale prices ranged from \$302,500 to \$825,000 and in time-adjusted sale price from \$345,909 to \$880,688, or from \$491 to \$728 per square foot. Subject's current assessed value is \$706,552, or \$653 per square foot, which Respondent maintained was reasonable in light of the sales data.

### 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, 2021, 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 market value. *Merris v. Ada Cnty.*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). Residential property is commonly valued using the sales comparison approach, which in simple terms compares recent sales of similar property to the subject property and considers various appraisal adjustments for differences in property characteristics.

Appellant questioned the roughly 67% increase in subject's assessed value over the prior year and was particularly concerned with subject's valuation compared to the assessed values of other units in the condominium project. While the Board certainly appreciates Appellant's concerns with the different valuations, a comparison of assessed values is not a recognized appraisal approach and is not regarded as reliable evidence of current market value. Even if such were not the case, the Board did not find subject was assessed inequitably with other units in the development or that the current valuation is otherwise erroneous, as explained further below.

To illustrate the seemingly inequitable valuation of the subject property, Appellant pointed to the assessment of the adjacent condominium unit with the same floor plan as subject. Both units were assessed at \$422,504 for 2020. However, subject's value increased to \$706,552 for the 2021 assessment year, whereas the neighboring unit's value increased to \$442,504. Though both units are the same size and are mirror images of the same floor plan, the key difference is the subject property was remodeled in 2006, while the adjacent unit has not been updated since it was originally constructed in 1971. Appellant did not detail the extent of subject's remodel; however, Respondent changing the effective age of the property to 2000, a reduction of twenty-nine (29) years, suggests to the Board notable updating work was done to the unit. Appellant did not appear to factor age into its comparative analysis. In short, the Board did not find Appellant's comparison to the neighboring unit particularly enlightening with respect subject's current market value.

The Board was likewise unpersuaded by Appellant's other assessment comparisons. Appellant pointed out subject's two (2) bedroom unit was assessed higher

than eleven (11) three (3) bedroom units in the development. The weakness in this comparison is again Appellant's failure to consider eight (8) of the three (3) bedroom units had never been updated, and the three (3) which were remodeled had effective ages of 31, 36, and 31 years. In other words, each of the referenced three (3) bedroom units were notably older than the subject condominium, so it is not surprising subject's current valuation is somewhat higher. The same was true with respect to the other units sharing subject's same two (2) bedroom design; those assessed for a lower value than subject were appreciably older. Some had been remodeled over the years, but based on the effective ages, which ranged from twenty-six (26) to fifty (50) years old, the levels of upgrade do not appear to be significant. Of all twenty-eight (28) units like subject, there were a total of three (3) with effective ages less than twenty-six (26) years: Unit B32, Unit C36, and the subject property. All three (3) of these units had the same effective build year of 2000, and each were assessed at the same exact value of \$706,552. So, while the subject property may be assessed higher than the non-updated units, it is assessed precisely the same as the only other two (2) bedroom units with the same effective age, which strikes contrary to Appellant's assertion of inequitable assessment treatment of the subject property.

Even if there were some seemingly inconsistent values in the condominium project, the Board is tasked solely with the issue of subject's valuation, which was supported by Respondent's sales information. Respondent provided six (6) sales from within subject's development and five (5) from other lakefront condominium projects. Focusing on the sales from subject's development, there were three (3) sales involving the same two (2) bedroom design as the subject property. The first, with an effective year

of 1995, sold in January 2020 for \$557,900, and a time-adjusted sale price of \$620,803. The other two (2) sale properties, both with effective years of 2000 like the subject property, sold in August and December 2020 for \$795,000 and \$770,000, with respective time-adjusted prices of \$827,595 and \$770,000. The average sale price of the two (2) bedroom units was approximately \$708,000, or \$654 per square foot, with a time-adjusted price of roughly \$740,000, or \$683 per square foot. The subject property is assessed at \$706,552, or \$653 per square foot, which aligns well with the unadjusted sale price data and appears somewhat conservative with respect to the time-adjusted prices.

Though subject experienced a notable increase for 2021, that was partly due to the fact a downward \$45,000 adjustment was applied, and assessed value was frozen for 2019 and 2020, while the necessary repairs to Building A's foundation were completed. The adjustment was removed for 2021, and the value was increased based on the most recent market information available. In all, the Board was strained to find subject was assessed inequitably with other similar properties in the condominium project, nor did the Board find subject was valued inconsistently with the sales from the condominium project.

"The requirement that all property be assessed at its actual cash value is secondary to the constitutional mandate of equality of taxation. Where certain property is assessed at a higher valuation than all other property, the court will enforce the requirement of uniformity by a reduction of the taxes on the property assessed at the higher valuation, if it be shown that the difference is the result not of mere error in judgment, but of fraud or of intentional and systematic discrimination." *Washington Cnty. v. First Nat'l Bank*, 35 Idaho 438, 444, 206 P. 1054, 1056 (1922). The record in this matter



did not suggest subject's valuation was the result of fraud or intentional and systematic discrimination. In fact, quite the opposite was revealed to be true in this case; the subject condominium unit was assessed the same as the other units of the same design with the same effective age. The Board did not find evidence subject was treated unfairly.

Idaho Code § 63-511 places the burden of proving error in subject's valuation by a preponderance of the evidence on Appellant as the party bringing forth this appeal. Given the record in this case, the Board did not find the burden of proof satisfied. Appellant relied on a comparison of assessed values, which is not a recognized appraisal approach. Though Respondent did not develop a traditional sales comparison model, it did provide timely and relevant sales data, which was found to be supportive of subject's current valuation. As a result, the Board did not find good cause to alter subject's assessed value.

Based on the above, the decision of the Valley County Board of Equalization is affirmed.

#### FINAL ORDER

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

DATED this 22<sup>nd</sup> day of March, 2022.

#### NOTICE OF APPEAL PRIVILEGES

Enclosed is a Final Decision and Order of the Idaho State Board of Tax Appeals concerning an appeal.

Motion for reconsideration of the hearing record or motion for rehearing the appeal (with good cause detailed) may be made by filing such motion with the Clerk of the Board within ten (10) days of mailing of the Final Decision and Order, with a copy of the motion being sent to all other parties to the proceeding before the Board.

According to Idaho Code § 63-3812, either party can appeal to the district court from this decision. Pursuant to Idaho Code § 63-3812, the appeal shall be taken and perfected in accordance with Rule 84 of the Idaho Rules of Civil Procedure.

tv