

BEFORE THE IDAHO BOARD OF TAX APPEALS

KURTISS SIGL,	)	
	)	
Appellant,	)	APPEAL NO. 21-A-1069
	)	
v.	)	*AMENDED FINAL DECISION
	)	AND ORDER
BONNER COUNTY,	)	
	)	
Respondent.	)	
	)	
	)	
	)	

\*There was a typographical error concerning the final value conclusion in the Board's initial decision issued on March 7, 2021. Instead of a total value of \$347,985, the total value should be \$347,895, with \$161,726 attributable to the land and \$186,169 to the improvements. The final order on page 11 has been updated accordingly.

**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. RP0004400A0060A. The appeal concerns the 2021 tax year.

This matter came on for telephonic hearing November 17, 2021, before Board Member Leland Heinrich. Appellant Kurtiss Sigl 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 \$409,610, and the improvements' value is \$186,169, totaling \$595,779. Appellant contends the correct improvements' value is \$176,009, and the correct land value is \$163,991, totaling \$340,000.

The subject property is a .33 acre residential parcel located several miles east of Bayview, Idaho, in the Cape Horn Estates subdivision. The property enjoys 57.2 front feet on the southwestern shores of Lake Pend Oreille. The parcel is improved with a 1,452 square foot two (2) story residence constructed in 1988. The property is further improved with a boat dock and a utility shed sitting on concrete blocks.

Appellant detailed some of the events leading to the instant appeal. It was explained waterfront land values were significantly increased for the current assessment year based on a single improved sale from the subdivision for \$1,100,000 located a couple doors down from subject. The sale property in question was noted to have been extensively remodeled inside and out prior to sale. Some of the updating work included relocating the kitchen and installing new cabinets and high-end appliances; replacing the roof, siding, doors, windows, and septic tank; updating bathrooms and bedrooms; and installing a new split-duct HVAC system. The property had been further improved with a detached three (3) car air-conditioned garage with roughly 1,000 square feet of workshop space in the loft. Based on this sale, Respondent determined waterfront land values throughout the subdivision needed to be increased. Subject's land value roughly tripled from \$178,251 in 2020 to \$541,814 for 2021. Other waterfront parcels in the subdivision received similar increases for 2021.

Appellant disagreed with subject's initial assessed valuation and timely filed an appeal with the Bonner County Board of Equalization (BOE), as did other owners in the subdivision. The BOE agreed land values were too high, so applied a blanket 25% reduction to all waterfront parcels in the subdivision. Appellant explained some parcels received an additional 10% reduction for special issues such as inaccessible waterfront

or being burdened by two (2) access easements. Appellant noted subject is encumbered by two (2) separate access easements but did not receive the additional 10% reduction. In Appellant's view, the 25% reduction granted by the BOE was inadequate and did not result in an accurate reflection of subject's current market value.

Appellant identified some portions of subject's assessment which appeared inconsistent with other assessments or were otherwise inaccurate. With respect to the small utility shed situated on the property, Appellant noted it was not attached to a foundation and therefore should not be considered an improvement to the real property. Appellant next questioned why subject's property record indicated two (2) docks when there is only a single dock. Appellant was also concerned with the valuation of subject's dock improvements compared to that of the \$1,100,000 sale property from the subdivision. The sale property's dock was assessed for \$9,987, and the boat lift for \$6,713, despite the wood decking being replaced with composite decking during the remodel and the dock being nearly twice the size of subject's dock. By contrast, the combined value of subject's docks is roughly \$19,000. With such inconsistencies in assessments, Appellant questioned the accuracy of Respondent's current proposed value of \$504,047 for the subject property.

In terms of value evidence, Appellant provided information on three (3) recent vacant lot sales. Sale No. 1, located in subject's subdivision, was a .37 acre lot with 66.2 front feet on the lake which sold in January 2020 for \$200,000, or \$3,030 per front foot. Sale No. 2 concerned two (2) adjacent lots which sold together just across the county line in neighboring Kootenai County. The combined frontage of the sale lots was 137.2 front feet, and the August 2020 sale price was \$227,500, or \$1,661 per front foot. Sale No. 3,

also located in Kootenai County, was a 1.25 acre parcel with 100 feet of shoreline, with a November 2020 sale price of \$310,000, or \$3,100 per front foot. Subject's current land value is \$409,610, or \$7,161 per front foot, which Appellant stressed was outside the value range suggested by the vacant lot sales.

Appellant additionally submitted some analyses prepared by other owners in the subdivision. The analyses looked at sales and assessed values and explored land value indications using Respondent's original valuation model for the subdivision as well as the BOE's new model using the 25% adjustment factor. In several cases, after removing the land values calculated using Respondent's and the BOE's valuation models from the respective sale prices, the results were negative value indications for the improvements. In all, Appellant contended Respondent's valuation model was flawed and should not be used to assess the subject property.

Based on the sales information, Appellant contended subject's land value should be 15% higher than the 2020 valuation, plus a reduction of 20% for the two (2) access easements crossing the parcel, resulting in a value of \$163,991. For the improvements, Appellant argued the value of the shed should be removed because it is not affixed to the land, and the value of one (1) of the boat docks should be removed because subject has just a single dock. With these adjustments, Appellant concluded a value of \$176,009 for the improvements, or a total valuation of \$430,000.

Respondent acknowledged its original valuation model for the subdivision was based on the single sale for \$1,100,000 but stressed that was the only sale Respondent knew of from the subdivision since 2016. It was not until the BOE appeal process when Respondent learned of the additional sales information from neighboring Kootenai

County. In light of the new sales data, particularly the vacant land sales, Respondent concluded adjustments needed to be made to its valuation model. Instead of increasing waterfront land values in the subdivision, Respondent concluded improvement values should be increased. For subject, Respondent petitioned the land value be reverted to the 2020 valuation of \$178,251, and the improvements' valuation be increased by 75%, to \$325,796, for a total value of \$504,047.

In support of its proposed valuation, Respondent developed two (2) sales comparison models: one (1) for subject's land value and one (1) in support of the total valuation. The land value model utilized the same three (3) vacant lot sales from 2020 as Appellant. Frontage measurements for the sale lots were 66.23 front feet, 137 front feet, and 100 front feet, with respective sale price rates of \$3,017, \$1,661, and \$3,100 per front foot. Each sale price was adjusted for differences in shoreline measurement compared to subject, resulting in adjusted sale price rates of \$3,055, \$1,251, and \$2,955 per front foot. Respondent's proposed land valuation for subject equates to a rate of \$2,889 per front foot, which Respondent commented was within the range indicated by the adjusted sale price rates.

Respondent's other comparative analysis likewise included three (3) sales. The first was a Kootenai County parcel with 100 front feet on the lake and improved with a 3,177 square foot residence with an effective age of six (6) years. This property sold in June 2020 for \$995,000. Though details were not shared, this property included other improvements assessed at nearly \$130,000. Sale No. 2 was the \$1,100,000 sale from subject's subdivision. Lastly, Sale No. 3 concerned a 2,052 square foot residence situated on a lakefront parcel with 100 feet of shoreline. This property also included nearly \$20,000

in other improvements. The August 2020 sale price of this property was \$995,000. Respondent compared each sale property to subject and made adjustments for differences in construction quality, condition, effective age, gross living area, garages, other improvements, and front feet. The result was adjusted sale prices of \$425,819, \$825,185, and \$688,391. Respondent's proposed valuation of \$504,047 for the subject property was noted to fall within the indicated range of value.

Respondent additionally referenced a prior listing of the subject property for sale. Respondent reported the property was listed with an asking price of roughly \$750,000 in 2016, and pointed out its current proposed valuation of \$504,047 was nearly \$250,000 less than the 2016 asking price. Appellant acknowledged the property was listed for sale but explained only one (1) offer was received for \$350,000, after which the property was removed from the market. Appellant has not made any additional attempts to sell the property.

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

Both parties provided relevant recent sales data for the Board's consideration, which efforts were appreciated. With respect to subject's land value, the parties both presented the same three (3) vacant lot sales. Sale prices were \$200,000, \$227,500, and \$310,000, or \$3,020, \$1,661, and \$3,100 per front foot, respectively. Respondent's analysis included an adjustment for differences in front feet, resulting in adjusted sale price rates of \$3,055, \$1,251, and \$2,955 per front foot. Subject's current land value is \$409,610, or \$7,161 per front foot, which is well beyond the range indicated by available sales data. The parties agreed, and the Board concurs, subject's current land valuation is too high. Respondent's recommendation to revert subject's land value to the 2020 valuation of \$165,251, or \$2,889 per front foot was found to be reasonable based on the sales.

Though the prior year's land value is the proper starting point in this instance, the 2020 valuation did not include any consideration for the two (2) access easements encumbering the subject property. The existence of two (2) separate easements on the .33 acre subject lot notably restricts the use and utility of the parcel, and thus the market

value. In the Board's view, the restrictive easements should have been considered in subject's valuation. The BOE determined a 10% adjustment for parcels with two (2) easements, which is reasonable in the Board's opinion. As such, the Board will reduce subject's land value to \$148,726, plus Respondent's standard \$13,000 rate for onsite improvements, for a total land value of \$161,726.

Turning now to the value of subject's improvements, there are a couple issues to address. Appellant alleged two (2) errors or inconsistencies in the assessment of subject's improvements. Specifically, subject's property record indicates there are two (2) docks, yet subject has only a single dock. Also, the value of subject's dock was noted to be inconsistent with the dock assessment of the \$1,100,000 sale property from subject's neighborhood. That property's dock, noted to have been refurbished prior to the sale and to be more than double the size of subject's dock, was assessed at \$9,987. By contrast, subject's two (2) docks were assessed at \$11,111 and \$7,973. The inconsistency in the respective dock assessments is readily apparent to the Board; however, there was nothing in the record to indicate the source of that inconsistency or its effect on the valuations. In other words, it was not clear to the Board whether subject's dock improvements may have been over-valued or whether the sale property's dock was under-valued. Neither party provided any data related to dock valuations. In the end, without some market-based support to reduce subject's dock valuation, the Board was disinclined to adjust the value.

The Board reached a similar conclusion with respect to subject's property record indicating two (2) docks. While the record is clear subject has only one (1) boat dock, Respondent failed to address why the property record reflected two (2) docks. From prior



experience, the Board is aware some county assessors break down L-shaped docks into two (2) rectangular sections to more easily measure the square footage. This does show up as two (2) docks on the property record, but it is actually just a single dock broken into separate sections. Whether Respondent treats L-shaped docks in a similar fashion is unknown to the Board, but presumably this is the case because Respondent is well-aware subject has only one (1) dock. Again, without more details about the issue, the Board was unable to determine if an adjustment is needed and will therefore leave subject's dock valuation undisturbed.

Appellant's other concern with subject's improvements was the assessment of the small utility shed. Appellant argued the shed should not be assessed because it is sitting on concrete blocks and is not permanently affixed to the land. Respondent explained its policy is to include sheds in the assessment, even if not attached to a foundation, because sheds are typically sold with the property. The Board agrees; the shed in question does exist and is being actively used. It does contribute some value to the overall property and should therefore be included in the assessment. The shed is valued at \$1,315, which appears reasonable to the Board.

The remaining issue in this appeal concerns the valuation of subject's residence. After re-working its valuation model based on the new sales information, Respondent argued improvement values for waterfront parcels throughout the subdivision needed to be increased by 75%. While the Board does not dispute improvement values may need to be increased broadly across the neighborhood, we were not convinced the same holds true with respect to the subject property. Respondent's contention that improvement values should be increased is still based primarily on the one (1) sale from subject's

subdivision. Respondent effectively applied its revised land value model based on the new vacant lot sales to the \$1,100,000 sale from subject's neighborhood, which was the highest sale price in the entire data set, and carried those results forward to the other waterfront properties. The concern from the Board's perspective is the type, quality, and size of the improvements on the \$1,100,000 sale property far exceed those of the subject property. They do not compare in any meaningful way.

As the record shows, subject's waterfront neighborhood is widely diverse in terms of residential improvements. Some properties, such as the \$1,100,000 sale property, are extensively developed, while others are modestly or minimally improved. This is an inherent risk with basing a valuation model on a single property and applying it throughout a diverse neighborhood; some properties are simply not going to fit the model. This appears to be the case here, where the three (3) sales used to support subject's proposed valuation all sold for roughly \$1,000,000, whereas Respondent's proposed value for subject is approximately one-half ( $\frac{1}{2}$ ) the sale prices, at \$504,047. The sales required gross adjustments from 25% to 60% for purposes of comparison with subject, and even with such notable adjustments, only one (1) of the adjusted sale prices were within a reasonable range of Respondent's proposed valuation for the subject property. In short, the Board was unable to correlate the sales analysis with Respondent's valuation of the subject property. Though the Board understands Respondent was limited to the sales available at the time, there were too many questions and inconsistencies with how the valuation model performed for the Board to be confident in the results. As a result, the Board will not alter the assessed value of subject's improvements.

In appeals to this Board, Appellant bears the burden of proving error in subject's valuation by a preponderance of the evidence. Idaho Code § 63-511. Given the record in this matter, the Board found the burden of proof satisfied and will reduce subject's 2021 assessed value to \$347,895. 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 \$347,895, with \$186,169 attributable to the improvements and \$161,726 (includes \$13,000 for onsite improvements) to the land.

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 14<sup>th</sup> day of March, 2022.