BEFORE THE IDAHO BOARD OF TAX APPEALS

CANYON COUNTY ASSESSOR, Appellant, v. CANYON COUNTY, Respondent.	APPEAL NO. 21-A-1107 FINAL DECISION AND ORDER
LARRY STEVENSON, Appellant, v. CANYON COUNTY, Respondent.	APPEAL NO. 21-A-1108 FINAL DECISION AND ORDER

RESIDENTIAL PROPERTY APPEAL

These appeals are taken from a decision of the Canyon County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. 281290020. The appeals concern the 2021 tax year.

These matters came on for telephonic hearing January 20, 2022, before Board Member Kenneth Nuhn. Taxpayer Larry Stevenson was self-represented. Canyon County Chief Appraisal Supervisor Greg Himes represented the County.

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 Canyon County Board of Equalization is reversed.

As both parties appealed the same decision of the Canyon County Board of Equalization, these matters are effectively cross-appeals, with each party assuming the roles of both Appellant and Respondent in the respective appeals. In the interest of clarity, Mr. Stevenson will be referred to as "Taxpayer" and the Canyon County Assessor as "County" for purposes of this decision.

FINDINGS OF FACT

The assessed land value of the subject property is $84,000, and the improvements' value is $256,800, totaling $340,800. Both parties agree with the land value; however, Taxpayer contends the correct value of the improvements is $246,000, and County contends the correct improvements' value is $266,000.

The subject property is a .48 acre residential parcel located on the outskirts of Caldwell, Idaho, in the Yoder 1st subdivision. The property is improved with a 2,132 square foot tri-level residence with an attached garage constructed in 1977.

Taxpayer argued the roughly 22.5% increase in the subject property's assessed value over the prior year's valuation was excessive and not reflective of current market value. Taxpayer offered several analyses in support of a lower valuation. The first was a comparison of sales data from 2019 to sales which occurred during 2020. All the sale residences were multi-level designs, though not necessarily tri-level like the subject residence, and all were located in either Caldwell or Nampa. The average price rate for the fifty-nine (59) sales from 2019 was $121.61 per square foot, and the forty-seven (47) 2020 sales showed an average price rate of $142.30 per square foot. Taxpayer calculated a 17% increase in average sale price between 2019 and 2020 and argued the same percentage increase should be applied to subject's 2020 assessed value, resulting in a 2021 assessment of $325,400.

Taxpayer next offered a sales comparison analysis developed using eight (8) Caldwell sales from 2020. The sale lots ranged from .14 to .81 acres in size and were improved with residences ranging from 1,932 to 3,150 square feet. All the sale residences were more than forty (40) years old like subject's residence. Sale prices ranged from $226,000 to $334,000. Taxpayer adjusted the respective sale prices for differences in property characteristics compared to subject, starting with a time adjustment. Taxpayer's time adjustment calculation was the difference between the sale property's original listing price and the actual sale price, divided by the number of months the property was on the market. So, if the asking price and sale price matched, or if the sale price was less than the initial listing price, no time adjustment was applied. In other words, time-adjustments were only applied to those properties which sold above their original listing price. Taxpayer's other adjustments were for any seller's concessions or personal property involved in the transaction, square footage, bathroom count, lot size, and other improvements. The result was adjusted sale prices stretching from $296,019 to $334,074. Taxpayer removed the three (3) lowest adjusted sale prices and calculated an average adjusted price of $328,303 for the remaining five (5) sales.

County challenged the comparability of the sale properties included in Taxpayer's sales model, particularly Sale Nos. 2, 3, 5, and 6. County pointed out Sale Nos. 2 and 3 concerned split-entry residences and stressed they were not comparable to subject's tri-level design. Sale No. 5 was noted to be a single-level residence with a basement. County regarded Sale No. 5 as more akin to a multi-family dwelling structure than a single-family residence, because the seller was using the basement as a rental unit. And Sale No. 6 was reportedly advertised as an "investment property" which was only half finished with a significant remodel. County also vehemently disagreed with Taxpayer's method of calculating time adjustments.

Taxpayer lastly provided a re-worked valuation analysis developed by a third-party appraiser using the same five (5) sales County presented at the hearing before the Canyon County Board of Equalization (BOE). The sales ranged in price from $293,000 to $376,000. The revised analysis included some new adjustments, as well as changes to some of the adjustments made by County at the BOE level. The analysis yielded adjusted prices ranging from $322,823 to $348,522. Taxpayer removed the highest and lowest adjusted prices and calculated an average price of $329,065 for the remaining three (3) sales. Taxpayer reconciled the three (3) above value indications of $325,400, $328,303, and $329,065, and concluded a value of $330,000 for the subject property.

Using the same data, County re-worked Taxpayer's three (3) analyses to include its 1.5% per month time adjustment factor, as well as other appraisal adjustments, and calculated values of roughly $356,000, $354,000, and $350,000, respectively. County argued the revised value indications provided additional support for its value position of $350,000 for the subject property.

In support of its proposed valuation, County developed a sales comparison model using five (5) 2020 sales located in Caldwell. All the sale residences shared the same tri-level design as the subject residence, and all were relatively comparable in terms of gross living area, age, grade, condition, and bedroom and bathroom count. Sale prices ranged from $293,000 to $500,000. County first applied an upward 1.5% upward time adjustment to the respective sale prices to reflect market pricing levels as of January 1, 2021, the relevant date of valuation in this appeal. Each sale property was directly compared to subject, and adjustments were made for differences in key property characteristics such as gross living area, bedroom and bathroom count, garage size, land value, age, construction quality, and condition. The result was adjusted sale prices ranging from $347,959 to $378,791, or an average adjusted sale price of $362,338. Based on this analysis, County argued its requested value of $350,000 was reasonable, if not somewhat conservative.

Taxpayer disagreed with certain aspects of County's valuation model. Of primary concern was the 1.5% per month time adjustment, which Taxpayer contended was inflated. Citing appraisal standards published by the International Association of Assessing Officers (IAAO), County presented three (3) separate analyses in support of its time adjustment factor. One methodology centered on tracking the sale-price-to-assessed-value ratio for single-family residence sales throughout the year. County reported a 23.44% change in the median price ratio over the course of the 2020 calendar year, which equates to a 1.95% per month time adjustment factor.

County's next time adjustment analysis measured the change between the 2019 median sale price for more than 5,000 single-family residential properties in Canyon County and the 2020 median price. The 2020 median sale price of $295,990 was roughly 19.5% higher than the 2019 median sale price of $247,920, which indicated a 1.63% per month rate of appreciation during 2020.

County's final methodology in support of its time adjustment factor was a paired sales analysis. County reported 119 improved residential properties sold twice during

2020. The median price increase from the initial 2020 purchase to the resale later in the year was 24%. According to County's calculations, the median time between the initial purchase and the resale was five (5) months, which indicates a monthly time adjustment factor of 4.8%. Extrapolated across the full year, County calculated a 2% per month time adjustment based on the paired sales analysis. In County's view, its 1.5% per month time adjustment was well-supported by the three (3) analyses, and it petitioned the Board to accept its proposed value of $350,000 for the subject property.

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 approaches for determining 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 the differences in property characteristics between subject and the sale properties.

Both parties provided a plethora of sales information and related analyses, which efforts were appreciated by the Board. That being said, there were concerns with some of the information offered. Taxpayer's first valuation model compared the difference between the average sale price of multi-level residences in 2019 to the average price in 2020, which Taxpayer calculated at 17%. Taxpayer contended subject's 22.5% increase in assessed value was excessive compared to the average increase in average sale price.

County disagreed with Taxpayer's first methodology because the data set included sales located in Nampa, and some of the sale residences were not tri-level designs like subject. Using only tri-level residence sales located in Caldwell, County calculated a 19% annual rate of appreciation in the market. To this, County advocated adding another 8% adjustment because the county's overall assessment level was roughly 92% in January 2020, which indicates assessed values started the year at less than full market value. Bringing values up to 100% market levels and adding the 19% change in average sale price for tri-level residential properties in Caldwell suggested an annual time adjustment factor of 27%, or 2.25% per month. Where Taxpayer's analysis included sales of non-similar properties, the Board was not confident in the results of the analysis.

The Board likewise had concerns with Taxpayer's second valuation model. The approach was a comparison of eight (8) recent sales to the subject property, with adjustments made for noted differences in property characteristics. While Taxpayer's basic sales comparison model was relatively standard in terms of methodology, several of the sale residences were not tri-level designs and therefore not particularly comparable to the subject property. The Board's larger concern, however, was Taxpayer's methodology for calculating time adjustments, which was simply the difference between a property's original asking price and the ultimate sale price divided by the number of months the property was on the market. First, it was not apparent to the Board the correlation between the difference in asking price and sale price, and a property's market value. The Board is unaware of any authoritative appraisal treatises which advocate Taxpayer's theory, nor did Taxpayer provide anything in support of the methodology. In short, Taxpayer's proposed methodology is not a recognized appraisal technique.

Even ignoring that Taxpayer's approach for calculating a time adjustment is not a recognized appraisal technique, the methodology itself is fatally flawed. The approach begins with the assumption the original asking price is market value, which is an extraordinary assumption upon which to base an appraisal adjustment. An asking price is a reflection of how much a seller hopes to receive in the sale and is typically not based on a recent independent professional appraisal of the property. Instead, the original asking price is often derived from a rather rudimentary comparative market analysis prepared by a realtor which suggests a range of potential asking prices. It is common for a seller to set an asking price as high as possible, even if the seller does not expect to actually receive the high price point. An asking price can be helpful in identifying the potential upper range of value for a particular property, but it is not considered a reliable estimate of the market value, which can only be definitively determined by the price at which the property ultimately sells in an arm's-length sale.

Taxpayer's methodology is also inherently defective because it uses a single sale to calculate a time adjustment factor for only that particular sale price. The fundamental purpose of a time adjustment is to measure pricing level changes in the marketplace over a defined period of time leading up to the date of valuation. This naturally requires analysis of numerous sales. At its core, a time adjustment is a market adjustment which should be applicable to all properties of the same type or class within a particular defined market. It is a broad adjustment based on market conditions, not an adjustment based on the characteristics of a single property. Taxpayer's methodology would result in a different time adjustment factor for each sale property, meaning it is not a market adjustment, but rather an individual adjustment based on how closely the seller's initial asking price matched the sale price. Stated simply, this is not a time adjustment. Given the questions of comparability concerning several of the sales in Taxpayer's model, and more importantly Taxpayer's methodology for calculating "time adjustment" factors, the Board afforded little weight to the analysis and resulting value indication.

The Board was also not persuaded by Taxpayer's third valuation analysis, which was a revised version of County's sales comparison model presented at the BOE. The new model changed some of County's original adjustments and added others. The land value adjustments appeared inconsistent, ranging from -$75,333 to $150,000 per acre. No explanation for the variable land value adjustments was offered, nor was anything provided in support of the other adjustments in the analysis, including why the original adjustments County made in its analysis before the BOE were erroneous and should be altered. It was also not clear how comparable some of the sale residences were to the subject residence. Taxpayer's testimony made reference to County's inclusion of single-family residences in its analysis presented to the BOE, but Taxpayer did not identify which sale residences were not tri-level design or explain why such sales were included in Taxpayer's revised analysis. In all, the Board was not convinced Taxpayer's third valuation methodology produced the most reliable indication of subject's current market value.

County's valuation model was better received by the Board. The five (5) sales included in the comparative analysis all involved tri-level residences located in Caldwell, and all were generally comparable to subject's residence in terms of size, age, construction quality, and condition. Each sale property was directly compared to subject, and adjustments were made for noted differences in property characteristics. The adjustments appeared reasonable and were consistently applied where appropriate. County also offered extensive support for its 1.5% per month upward time adjustment using appraisal standards recognized by the IAAO. In short, County's sales comparison analysis was consistent with accepted standards of professional appraisal practice and produced a credible result in the Board's view.

Taxpayer disagreed with some of County's adjustments in its analysis and argued certain other adjustments should have been made. In the Board's experience, it is common to see variance in the level and the type of adjustments between different appraisers. Real property appraisal is not an exact science. There is an element of subjectivity inherent in the process, particularly with respect to individual appraisal adjustments. That Taxpayer would have preferred different adjustments in County's model does not mean County's analysis was erroneous, but that a difference of opinion exists between the parties. "[T]he question is not what someone else, however eminent he may be in the field of appraisal work and knowledge of market values, may think is the proper method, but involves simply the determination as to whether the method used by the assessor was legitimate and fair, and was a reasonable method to use in arriving at the value of the property in question." *Abbot v. State Tax Comm'n*, 88 Idaho 200, 206, 398 P.2d 221, 224 (1965). As noted earlier, County's valuation model adhered to professional appraisal standards and techniques and, in the Board's view, represented the best indication of subject's current market value in this instance.

Pursuant to Idaho Code § 63-511, the party bringing forth an appeal bears the burden of proving error in the subject property's assessed value by a preponderance of the evidence. As both parties filed appeals, each must satisfy the requisite burden of proof in favor of their respective value positions in order to prevail in this matter. For the reasons detailed above, the Board did not find sufficient support for Taxpayer's value claim, and therefore the burden of proof was not met by Taxpayer. County, on the other hand, was found to have satisfied the burden of proof with respect to its value position. As such, the Board will adjust subject's 2021 assessed value accordingly.

Based on the above, the decision of the Canyon County Board of Equalization is reversed to reflect an increase in subject's current valuation to $350,000.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Canyon County Board of Equalization concerning the subject parcel be, and the same hereby is, REVERSED, to reflect an increase in subject's total value to $350,000, with $84,000 attributable to the land, and $266,000 to the improvements.

DATED this 12th day of April, 2022.