

BEFORE THE IDAHO BOARD OF TAX APPEALS

RICHARD JAKIOUS,	)	
	)	
Appellant,	)	APPEAL NO. 21-A-1017
	)	
v.	)	FINAL DECISION AND ORDER
	)	
VALLEY COUNTY,	)	
	)	
Respondent.	)	
	)	
	)	
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**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. RP001670000120. The appeal concerns the 2021 tax year.

This matter came on for telephonic hearing December 16, 2021, before Hearing Officer Travis VanLith. Appellant Richard Jakious was self-represented. Valley County Assessor June Fullmer 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 modified.**

FINDINGS OF FACT

The assessed land value is \$328,408, and the improvements' value is \$632,144, totaling \$960,552. Appellant contends the correct land value is \$248,408, and the correct improvements' value is \$617,178, totaling \$865,586.

The subject property is a .27 acre residential parcel situated on the northern shores of Lake Cascade in the Margot subdivision located a couple miles southwest of Donnelly,

Idaho. The property is improved with a 2,753 square foot two (2) story residence with an attached 954 square foot garage constructed in 2015.

Appellant was primarily concerned with subject's land value, which increased from \$192,676 in 2020 to \$328,408 for the current assessment year. Specifically, Appellant disagreed with the "very good" land grade assigned to the subject parcel, particularly compared to the land grades of a couple nearby parcels. One (1) of the referenced parcels, hereinafter referred to as Property A, had a land grade of "good," and the other parcel, Property B, had an "average" land grade. The parcels are located adjacent to each other on the opposite side of the peninsula. Appellant identified four (4) key elements argued to be important in determining a parcel's land grade: distance to the lake, access to the lake, water depth of the lake, and whether the property has a dock permit. Appellant contended Property A and Property B were superior to subject in all four (4) areas.

Regarding the distance to the lake factor, Appellant pointed out the distance between subject's lakeside boundary line and the water is notably greater than both Property A and Property B. Appellant explained when the lake's water level is at its highest, referred to as "full pool," the distance to the water from the subject lot is roughly 350 feet. Near the end of the season, around Labor Day, Appellant estimated the distance to the water was nearly 1,000 feet. By contrast, the distance to the water for both Property A and Property B at "full pool" was 75 feet, and approximately 175 feet at Labor Day.

With respect to the second element, subject's access to the lake is via a 350-foot dirt footpath through sagebrush and trees down to the shoreline, which is approximately twenty-five (25) feet lower in elevation than subject. Appellant provided a photograph of the lake access from Property A and Property B depicting a short walk down a gently

sloped manicured lawn to the water's edge. In Appellant's view, there was little comparison between the water access of Property A and Property B to subject's access.

Turning to the lake depth factor, Appellant characterized subject's water depth as notably inferior to that of the properties located on the other side of the peninsula. As noted earlier, the distance from subject's nearest property line to the water during Labor Day water levels is roughly 1,000 feet. However, the water level at that distance is still too shallow to anchor a boat. According to Appellant, it would be necessary to walk into the lake an additional 200 feet to find suitably deep water to anchor a boat, nearly one-quarter ( $\frac{1}{4}$ ) mile from the subject property. Appellant described a different story for Property A and Property B, both of which enjoy deep enough water to allow a boat to anchor just off the shoreline.

With respect to the final element, Appellant noted the subject property does not have a dock permit. Leading up to the 2015 purchase of the subject parcel, which was a vacant lot at the time, Appellant inquired about subject's dock permit status with the seller, who stated the dock permit had been long left to expire. Appellant sought to get the permit reinstated through the BOR<sup>1</sup>, even offering to pay all outstanding fees and dues. The BOR declined Appellant's offer and indicated no dock permit would ever be issued for the subject property. With the high probability of never being able to secure a dock permit, Appellant and the seller ultimately agreed on a \$60,000 discount to the \$170,000 asking price for the subject parcel. Appellant reported a local realtor recently suggested dock

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<sup>1</sup> Both parties referred to the BOR, but neither identified the precise meaning of the initialism. Presumably, it is a review board of some nature, but under what jurisdiction is unknown to this Board. It is apparent, however, the BOR has some sort of authority over dock permits in subject's area.

permits were valued between \$100,000 to \$150,000 in the current marketplace. Both Property A and Property B have dock permits.

Appellant questioned why subject's land grade, and thus its land value, was higher than Property A, with a land grade of "good" and a 2021 land value of \$231,221, and Property B, with an "average" land grade and valuation of \$161,247, despite subject being objectively inferior with respect to all four (4) elements. Appellant argued subject's land grade should be changed to "average" and the assessed land value be reduced to better align with the assessed land value of Property B at \$161,247.

Respondent explained Appellant had contacted the assessor's office in 2020 to question subject's assessment for that year. Though no details were shared regarding how the decision was made, subject's land grade was ultimately changed from "very good" to "good," and the assessed value was reduced accordingly. For the 2021 assessment year, Respondent reinstated the "very good" land rating for the subject parcel to match the ratings assigned to all the other parcels in subject's lakefront subdivision.

In support of subject's assessed land value, Respondent offered information concerning two (2) recent sales from subject's subdivision. Sale No. 1 was a .40 acre unimproved lakeside lot which sold in August 2020 for \$525,000. At hearing, Respondent indicated this sale lot did not have a dock permit, but after researching the issue further at the direction of the hearing officer, it was later determined a dock permit was included in the sale. Sale No. 2, which also closed in August 2020, concerned an improved .47 acre waterfront property with a dock permit which sold for \$810,000. No details regarding the improvements were shared, but Respondent reported the improvements were assessed at \$516,343, which left a residual value indication of \$326,867 for the land.

Subject's current assessed land value is \$328,408, which Respondent argued was reasonable in light of the recent sales data.

### 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.

Before addressing the primary issue in this appeal, which is subject's assessed land value, the Board identified an inconsistency in the record concerning the assessed value of subject's improvements. Both the 2021 assessment notice and subject's property

record reflect a value of \$632,144 for subject's improvements; however, Respondent's exhibit materials indicated a value of \$617,178 in both the summary table on the first page of the exhibit packet and in the sales grid on the last page of the exhibit materials. This variance was not noticed during the hearing, nor did Respondent otherwise explain the discrepancy. Presumably, the lower \$617,178 figure was a typographical error, because the Valley County Board of Equalization did not alter the \$632,144 valuation reflected on the assessment notice. Therefore, for purposes of this decision, the Board will use higher \$632,144 figure as the current assessed value of subject's improvements.

We turn now to the issue of subject's assessed land value. Appellant contended subject's land grade should be changed from "very good" to either "good" or "average." In support of this position, Appellant compared subject to two (2) lakefront properties located on the east side of the peninsula with land ratings of "good" and "average". Appellant's comparison was based on four (4) characteristics argued to be critical in assigning land grades around Cascade Lake. These characteristics were distance to the lake, access to the lake, water depth of the lake, and dock permit status. The subject property was demonstrated to be inferior to the two (2) referenced properties with respect to each of the four (4) factors, which in Appellant's view was strong evidence subject's current land grade was erroneously inflated. While the Board appreciates Appellant's concerns with subject's land grade compared to other nearby properties, a comparison of assessed values is not a recognized appraisal approach and not considered reliable evidence of current market value, which ultimately is the issue in this appeal.

The Board observed some inconsistency in Respondent's application of its land grade model, but because there were so few details regarding how Respondent

determines land grades, there is little basis for the Board to make adjustments to the model or to otherwise alter subject's current land grade. That being said, there appeared to be no consideration given for subject's lack of a dock permit and the likelihood the property will likely never be issued a dock permit. Though there are many factors which contribute to a waterfront property's market value, one (1) key element is whether the property has a dock permit. Access to, and use of, a desirable water amenity can significantly influence values in a waterfront community, and subject's lack of a dock permit restricts the full use and enjoyment of the water, which negatively impacts subject's market value compared to its neighborhood peers with dock permits. Whether this means subject's land grade should be reduced is not for the Board to decide, but it is clear a value adjustment needs to be made for subject's lack of a dock permit.

According to Respondent, every parcel in subject's lakefront subdivision shares the same "very good" land grade, and each has the same current land value of \$328,408. Assessing each parcel at the same land value implies a high degree of similarity amongst every parcel in the subdivision, but as evidenced by subject's lack of a dock permit, not every property in the neighborhood is the same. Diversity in the subdivision was further demonstrated by Respondent's comment that the land grade of Sale No. 1, the vacant lot from subject's subdivision which sold for \$525,000 which was discovered after the hearing to have a dock permit, would be increased to "excellent" next year. So, at the very least, there are two (2) properties in the subdivision, Sale No. 1 and the subject property, which notably differ from the others. It does not follow then, that all land values should be the same throughout the subdivision. Again, without more details concerning how Respondent determines land grades, it was difficult for the Board to evaluate whether

subject's land grade is accurate or if the others were erroneous, but it is clear to the Board subject's valuation should be reduced on account of its dock permit status, whether that affects the land grade or not.

Regarding the value of a dock permit, Appellant recalled a recent conversation with a local realtor who suggested the value of a dock permit in the current local marketplace was between \$100,000 and \$150,000. This estimated value range is relatively consistent with the \$60,000 reduction in subject's purchase price back in 2015 after it was determined the property did not, and will likely never, have a dock permit. Given the widely recognized appreciation in Idaho's general real estate market over the prior several years, it is reasonable to likewise expect an increase in the value attributable to a dock permit. Without recent sales or other relevant market data to better identify the current market value of a dock permit, the Board will accept the lower value estimate of \$100,000 and reduce subject's land value accordingly.

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. Subject's lack of a dock permit renders the property uniquely disadvantaged compared to every other property identified by the parties, all of which had dock permits. Respondent's lack of consideration for subject's dock permit status was erroneous in the Board's view and will therefore be corrected.

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



## 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, MODIFIED to reflect a decrease in subject's total valuation to \$860,552, with \$228,408 attributable to the land and \$632,144 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 4<sup>th</sup> day of April, 2022.