

BEFORE THE IDAHO BOARD OF TAX APPEALS

KEVIN AND GAYL DOWNARD,	)	
	)	
Appellants,	)	APPEAL NO. 22-A-1031
	)	
v.	)	FINAL DECISION AND ORDER
	)	
BONNER COUNTY,	)	
	)	
Respondent.	)	
	)	
	)	
	)	

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**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. RP56N03W263611A. The appeal concerns the 2022 tax year.

This matter came on for hearing September 21, 2022, in Sandpoint, Idaho, before Hearing Officer Travis VanLith. Appellants Kevin and Gayl Downard were self-represented. Bonner County Assessor Donna Gow represented Respondent.

Board Members Leland Heinrich and Kenneth Nuhn join in issuing this decision.

**The issue on appeal concerns the market value of an unimproved rural residential property.**

**The decision of the Bonner County Board of Equalization is affirmed.**

FINDINGS OF FACT

The assessed land value of this vacant parcel is \$162,068. Appellants contend the correct value is \$83,897.

The subject property is a rural 9.36 acre vacant tract located roughly seven (7) miles southwest of Sagle, Idaho. The majority of subject's acreage is covered in trees,

and the remaining acreage is an open grass pasture area in the center of the rectangular-shaped parcel.

The subject tract is part of a forest management plan along with an adjacent 8.13 acre timber parcel also owned by Appellants. Combined, the parcels total 17.49 acres in size, of which fourteen (14) acres are included in the management plan, with the remaining 4.49 acres described as pastureland. Seven (7) acres of the subject property are included in the forestry plan and are assessed pursuant to the forestland exemption, and the remaining 2.36 acres are assessed at market value as rural residential ground.

Appellants were primarily concerned with the inclusion of a one-acre “homesite” on subject’s assessment notice. Appellants explained prior to subject’s purchase in 2020, there was a dilapidated manufactured home built in the mid-1960s tucked between some of the trees, which did at one time serve as a homesite. Within the first eighteen (18) days of the purchase, Appellants removed the manufactured home and associated debris from the property. Appellants testified the power connection was completely disabled and the septic system is inoperable. In Appellant’s view, the subject property does not have a homesite and therefore should not be assessed as having one.

Respondent acknowledged the subject property does not have a traditional homesite improved with a residence but stated its policy is to assess a one-acre “homesite” on each rural residential parcel throughout the county, regardless of whether the property is improved or not. Respondent explained the first acre of a residential property is typically the most valuable acre, which is why it is included as a separate line item on the assessment notice. Respondent contended the label “homesite” in cases like the subject property where no residential improvements exist should instead be thought

of as the “first acre,” for which Respondent maintained there is an associated price premium. Respondent further highlighted the Bonner County Board of Equalization removed the \$13,000 standard assessment rate used for onsite improvements throughout the county due to subject’s lack of utilities.

Appellants disputed Respondent’s homesite policy was applied equally to all parcels. In this regard, Appellants provided current assessment information on three (3) rural properties which were not assessed as having homesites. Respondent explained two (2) of the properties referenced by Appellants were in a unique location in which portions of each are included in two (2) taxing districts and therefore receive two (2) separate assessment notices. According to Respondent, the parcels are located adjacent to a drainage canal and therefore portions of the lots are subject to the associated taxing district, for which separate assessment notices were issued. These were the assessment sheets provided by Appellants. Respondent testified the “second” assessment notices for those two (2) properties do include one-acre homesites. With respect to the third property highlighted by Appellants, Respondent conceded it likely should have included a homesite value; however, as all the relevant details were not on-hand at the hearing, Respondent was unable to provide a definitive conclusion on the issue.

In support of the market valuation of subject’s 2.36 non-timbered acres, Respondent offered information on three (3) rural sales from 2021 located within roughly two (2) miles of subject. Sale No. 1 was a 1.86 acre improved residential property with a land grade of “average” and a sale price \$377,000. After removing the assessed values of the associated improvements, Respondent calculated a residual value of \$226,779 for the land. After making an adjustment for the smaller parcel size compared to the subject

property, Respondent concluded an adjusted land price of \$296,471. Sale Nos. 2 and 3 were fifteen (15) and five (5) acre vacant rural parcels with respective land grades of “fair” and “average,” and sale prices of \$150,000 and \$239,000. After adjustments for lot size and land grade, Respondent determined adjusted sale prices of \$235,670 for Sale No. 2 and \$280,120 for Sale No. 3. Respondent calculated subject’s land value would be \$280,233 if the entirety of subject’s 9.36 acres were valued at market level. Given the indicated value range produced by the sales model, Respondent contended the \$174,018 assessed value of subject’s 2.36 acres was reasonable.

### 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, 2022, 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). The value of residential property

is commonly estimated using the sales comparison approach. In general terms, the approach compares recent sales of similar properties to the subject property and makes appraisal adjustments for differences in property characteristics.

Appellants' primary concern centered on the inclusion of a "homesite" on subject's assessment notice. As the subject property is entirely unimproved, including no utilities, Appellants argued the property does not have a homesite, and thus a homesite valuation should not appear on the assessment notice.

Respondent stated its policy with respect to rural residential parcels in the county is to assess a one (1) acre homesite regardless of whether any residential improvements are situated thereon. Respondent commented the market associates a premium with the first acre of a residential parcel, and it therefore carries a higher assessed value than the remaining acreage. This is consistent with the Board's experience regarding residential parcels. The first acre, or homesite, carries the most value because it is the portion of the property which provides the most utility, and therefore more value. A developed homesite is key toward enjoying the full residential use of a residential property.

While the Board understands Appellants' concerns with the inclusion of a "homesite" on subject's assessment notice, the ultimate question in this appeal is whether subject's assessed value is erroneous. The Board agrees Respondent's policy of assigning a one-acre homesite to all rural residential parcels can cause confusion, particularly for those with no residential improvements. The policy is also somewhat problematic in the specific instance of the subject property. Respondent explained at hearing that if the subject parcel was combined with Appellants' adjacent property, the "homesite" designation on the subject property would be removed, because in that

instance the homesite would be the already existing homesite on the adjacent parcel. The problem here is the parcels cannot be combined because the adjacent property is situated inside a subdivision, whereas subject is outside. In other words, there is nothing Appellants can do to remedy the issue and remove the “second” homesite. Respondent’s policy lacks the flexibility to account for a unique situation such as the scenario presented here. That being said, it makes no difference in the final analysis whether a one-acre homesite line item appeared on the assessment notice, or if no homesite was indicated and the one (1) acre was combined with the other non-exempt acreage, because Respondent’s land tables would produce the same market value conclusion in either instance. In other words, “homesite” is simply a descriptor Respondent chooses to use to identify the first acre of a rural residential parcel and has no bearing on the market value analysis.

Though the Board had some concerns with Respondent’s homesite assessment policy, as noted earlier, the issue in this appeal is the market value of subject’s non-exempt acres. In this regard, Respondent compared three (3) recent sales from the area to the subject property and made adjustments for differences in lot size and land grade. Respondent’s analysis yielded adjusted land prices from roughly \$235,000 to \$296,000, or an average of \$60,000 per acre. For purposes of comparison with the sales, Respondent considered the entirety of subject’s 9.36 acres as non-exempt with a market value of \$280,333, or \$30,000 per acre. Given the sales data, and the lack of competing sales data from Appellants, the Board was strained to find support for a lower value for subject than that concluded by Respondent.

In accordance with Idaho Code § 63-511, Appellants bear the burden of establishing error in subject's valuation by a preponderance of the evidence. Where Respondent provided the only evidence of market value, the Board did not find the burden of proof satisfied. The "homesite" issue identified by Appellants is certainly understandable, but it is effectively a matter of disagreement about labels or descriptors assigned to different portions of subject's acreage, which has no bearing on the question of the property's market value. Given the record in this matter, the Board found subject's valuation reasonable.

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

#### 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, AFFIRMED.

DATED this 2<sup>nd</sup> day of December, 2022.