

BEFORE THE IDAHO BOARD OF TAX APPEALS

MARY PEPPING AND JOSEPH BARBER,)	
)	
Appellants,)	APPEAL NO. 22-A-1005
)	
v.)	FINAL DECISION AND ORDER
)	
BONNER COUNTY,)	
)	
Respondent.)	
)	
_____)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Bonner County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. RP036460000040A. The appeal concerns the 2022 tax year.

This matter came on for hearing September 20, 2022, in Sandpoint, Idaho, before Hearing Officer Travis VanLith. Appellants Mary Pepping and Joseph Barber 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 improved residential property.

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

FINDINGS OF FACT

The assessed land value is \$218,142, and the improvements' value is \$448,992, totaling \$667,134. Appellants contend the correct total value is \$502,592.

The subject property is a 2.78 acre residential parcel located in the Sweetwater Estates subdivision in Sandpoint, Idaho. The property is improved with a three (3) bedroom, two (2) bathroom multi-level residence constructed in 2001. The residence

totals 2,909 square feet, of which roughly 2,300 square feet are finished. Attached to the residence is a two (2) car garage.

Appellants' primary concern was the more than 40% increase in subject's assessed value over the prior year. Appellants acknowledged the real estate market has experienced notable appreciation over the last couple years, but disagreed subject's value had increased as much as reflected by the current assessment notice.

For value evidence, Appellants provided details concerning seven (7) sales which transpired during 2021 in subject's neighborhood. The sale residences were generally representative of subject in terms of finished living area, bedroom and bathroom count, and lot size. All the sale properties enjoyed views of the mountains, similar to subject, and all had either garages or carports. Despite the overall physical similarity, the sale residences, which ranged in year built from 1966 to 1995, were older than subject's residence constructed in 2001. Appellants pointed out four (4) of the sale properties included accessory dwelling units (ADU) which offered revenue-generating potential to the respective buyers. In Appellants' view, an ADU contributes significantly to the market value of the property, though Appellants were unable to identify a specific premium attributable to an ADU. The sales ranged in price from \$625,000 to \$895,000.

Respondent visited the subject property in July 2021 to review the characteristics of the residence. During this visit, Respondent discovered an error in subject's property record related to the below-grade space under the residence. A portion of the area houses the mechanical systems, and the remaining space is open. The entire area had been assessed as unfinished basement space; however, because the space is only accessible from outside the residence and the floor is dirt, Respondent concluded a better description

would be crawl space. As it was too late to make any changes this year, Respondent resolved to update the property record for next year's assessment to reflect the new crawl space designation. Respondent further remarked, while the change will more accurately reflect subject's characteristics, the impact on overall assessed value will be minimal because crawl space is valued only nominally less per square foot than unfinished basement space.

In support of subject's current valuation, Respondent developed two (2) sales comparison models using sales from 2021. The first model focused on subject's overall valuation. The three (3) sales in this analysis ranged in price from \$710,000 to \$735,000. The sale lots ranged in size from 1.8 to 10.0 acres. Details concerning the sale residences were somewhat limited, though they all shared the same construction quality and condition ratings as subject's residence. The sale residences were constructed between 1996 and 2013, and ranged in gross living area from 2,789 to 3,091 square feet. Respondent compared each sale property with subject and made adjustments for differences in property characteristics such as lot size, age, and square footage. Respondent concluded adjusted sale prices ranging from \$659,504 to \$721,595. Subject's current valuation is \$667,134.

Respondent's second valuation model centered on the value of subject's residence. The three (3) sale residences in this model had the same construction quality and condition ratings as subject. The residences ranged in size from 2,789 to 3,032 square feet, and in year built from 1996 to 2005. Sale prices ranged from \$710,000 to \$875,000. To isolate the value attributable to the sale residences, Respondent removed the land and other improvement values from the respective sale prices. Further

adjustments were made for differences in age, gross living area, and garage size compared to subject. The result was adjusted prices for the sale residences from \$438,973 to \$503,453. Subject's residence is assessed at \$430,872.

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). Residential property is commonly valued using the sales comparison approach, which in simple terms compares recent sales of similar properties to subject and makes adjustments for differences in property characteristics.

Both parties provided relevant sales information for the Board's consideration, which efforts were much appreciated. Appellants provided details on seven (7) sales from

subject's area which were generally similar to the subject property. The primary concern from the Board's perspective was four (4) of the sale properties included accessory dwelling units (ADU) which, as stressed by Appellants, contribute notable value to a residential property. This price premium was evident by the prices of Appellant's sale properties with an ADU, which ranged from \$679,000 to \$895,000, or an average of approximately \$800,000. By contrast, the three (3) sale properties which did not enjoy an ADU amenity averaged roughly \$676,000 in price. Due to the obvious pricing differences and the need for large adjustments, the Board afforded little weight to the sale properties which included an ADU.

Respondent's sales information was better received by the Board. The sale properties shared many key characteristics with subject, including gross living area, construction quality and condition ratings, and age. Importantly, none of Respondent's sale properties included ADUs. Consistent with accepted appraisal practice, Respondent directly compared each sale property to subject and made appraisal adjustments for noted differences. Net adjustments ranged from 1.5% to 10.3%, which suggests a notable degree of comparability between subject and the sales. The average adjusted price of the three (3) sales included in Respondent's valuation model for subject's overall value was roughly \$690,000, and the average price of the sale residences included in Respondent's second valuation model focused on subject's residence was approximately \$472,000. Subject's residence is currently assessed at \$430,872, and the overall valuation is \$667,134, both of which are comfortably lower than the average adjusted prices concluded by Respondent.

Idaho Code § 63-511 places the burden on Appellants to establish subject's valuation is erroneous by a preponderance of the evidence. Given the record in this matter, the Board did not find the burden of proof satisfied. Both of Respondent's valuation models supported subject's current assessed value, as did the three (3) sales Appellants offered with no associated ADUs. Given the available sales offered by both parties, the Board was strained to find support for a reduction in subject's valuation.

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 15th day of November, 2022.