

BEFORE THE IDAHO BOARD OF TAX APPEALS

BRADLEY PERU,)	
)	
Appellant,)	APPEAL NO. 22-A-1022
)	
v.)	FINAL DECISION AND ORDER
)	
ADA COUNTY,)	
)	
Respondent.)	
)	
)	
)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Ada County Board of Equalization modifying an appeal of the valuation for taxing purposes on property described by Parcel No. R3636190050. The appeal concerns the 2022 tax year.

This matter came on for hearing September 14, 2022, in Boise, Idaho, before Hearing Officer Travis VanLith. Appellant Bradley Peru was self-represented. Ada County Chief Deputy Assessor Brad Smith 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 Ada County Board of Equalization is modified.

FINDINGS OF FACT

The assessed land value is \$208,000, and the improvements' value is \$512,000, totaling \$720,000. Appellant contends the correct land value is \$156,735, and the improvements' value is \$447,565, totaling \$604,300.

The subject property is a four (4) bedroom, two and one-half (2½) bathroom residence situated on a .199 acre parcel in the Hill Century Farm subdivision in Meridian,

Idaho. The 2,277 square foot single-level residence was constructed in 2018 and includes an 854 square foot attached garage.

After several months on the market with an asking price of roughly \$430,000, Appellant purchased the newly-developed subject property for \$419,000 in mid-2018. Since the purchase, Appellant has noticed subject's assessed value has increased rapidly. Last year's valuation was \$520,500, and this year's value represented an approximate 42% increase, to \$720,100. It was noted the Ada County Board of Equalization reduced the value of subject's improvements to \$512,000, resulting in an overall value of \$720,000, which equates to a 38% increase over the 2021 valuation. Appellant was concerned the percentage increase conflicted with the 16.1% increase reported by a local news station in mid-2021. In Appellant's view, the 16.1% appreciation rate was more reasonable and reflective of the marketplace.

Respondent was aware of the 16.1% price appreciation rate cited by the news station and clarified the rate represented just a one-month increase during a peak month in 2021, not the annual rate of market appreciation. According to Respondent, the average annual increase in residential values across the county was 30% over the course of 2021. Even higher increases between 40% and 45% were reported throughout subject's specific subdivision. Respondent viewed subject's 38% increase as reasonable compared to other increases in the neighborhood.

Appellant offered information concerning four (4) properties which sold during 2021. However, as Appellant did not have access to the actual sale prices, the listing prices were provided instead. Of primary emphasis was a property located less than two (2) blocks from the subject property. Appellant stressed the sale property (hereinafter, the

“Angus” property) had the same floor plan and was constructed by the same builder as the subject residence only one (1) year prior. Though both residences share the same floor plan, Appellant pointed out the Angus residence enjoys some upgrades such as hardwood floors, tile flooring in the bathrooms, granite countertops, and a large farm sink in the kitchen. By contrast, Appellant characterized subject’s interior finish as more modest, with a mix of quartz and laminate countertops, as well as laminate flooring throughout the majority of the residence, and vinyl and linoleum in the bathroom and laundry room. Only the master bathroom was noted to have tile flooring. Appellant also characterized the larger .249 acre Angus lot as more desirable because it is situated on a corner. Appellant stated the Angus property was listed for sale in October 2021 for \$649,900, and believed the sale price was near the asking price. Respondent confirmed that belief and reported the Angus property sold for \$650,000 after only four (4) days on the market.

To illustrate the Angus property was somewhat more desirable in the marketplace than subject, Appellant provided the sales history of both. In 2018, the subject property was on the market with an asking price of \$429,900, while at the same time the Angus property was listed 7% higher, at \$450,000. Appellant attributed the higher asking price to the larger corner lot and upgraded interior finishes. Based on the higher asking price of the Angus property, Appellant argued it was illogical for subject’s current assessed value to exceed the assessed value of the Angus property at \$703,000.

Appellant additionally provided listing information for three (3) more properties from the subdivision which sold during 2021. The first was a property listed for roughly \$650,000 in April 2021. Appellant highlighted the residence was 101 square feet larger

than the subject residence and included several added amenities such as coffered ceilings, crown molding, two (2) master suites, a built-in gas barbeque on the patio, and other upgrades. The next listing offered by Appellant was a .25 acre corner lot with a hot tub and firepit in the backyard, and coffered ceilings and wainscoting inside the residence. This property was listed in October 2021 at \$649,900. Lastly, Appellant referenced a \$650,000 listing from September 2021, and described it as having hardwood floors, a bonus room, and generally nicer interior finishes than subject.

Based on the above information, Appellant developed three (3) indications of subject's current market value. The first methodology applied the 16.1% increase reported by the local news station to subject's 2021 assessed value, and concluded a 2022 value of \$604,300. Appellant next utilized the 7% difference in asking price between subject and the Angus property when both were listed on the market in mid-2018 and applied it to the October 2021 asking price of \$649,900. The result was a value of \$604,407. Appellant's third option centered on the difference in lot size between subject and the Angus property. Starting with the \$220,000 land value of the Angus property, Appellant made a 20% downward adjustment, or \$46,000. Appellant subtracted this amount from the current \$703,000 assessed value of the Angus property and concluded a value of \$657,000 for the subject property. Appellant petitioned the Board adopt one (1) of the valuation methodologies and adjust subject's assessed value accordingly.

In support of subject's current valuation, Respondent developed a sales comparison model using five (5) recent sales of single-level residences. With the exception of Sale No. 5, which was a 2021 model located in an adjacent similar subdivision, all of Respondent's sale properties were located in subject's development.

The sale residences were constructed in 2017 and 2019. The sale residences ranged in size from 2,099 to 2,436 square feet, and all had three (3) bedrooms and at least two (2) bathrooms. Lot sizes varied from .189 to .249 acres, and sale prices ranged from \$649,900 to \$700,000.

Respondent compared subject to each sale property and made various appraisal adjustments for differences in property characteristics such as square footage and bathroom count. A monthly time-adjustment factor of 1.5% per month was also applied to the respective sale prices to reflect pricing levels on the January 1, 2022, assessment date. Due to the high degree of similarity between subject and the sale properties, Respondent's adjustments were relatively minor, ranging from 1.3% to 3.4% in both net and gross adjustments. The analysis yielded adjusted sale prices from \$663,347 to \$754,536.

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 three (3) primary methods 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 presented recent sales data from subject's neighborhood, which efforts were appreciated by the Board. As Idaho is a non-disclosure state, Appellant did not have access to actual sale prices, so instead provided listing information on four (4) properties, all with asking prices of approximately \$650,000. Respondent did provide the sale price information for two (2) of properties discussed by Appellant, both of which sold at or above their respective asking prices. Presumably, the remaining two (2) properties sold near their asking prices.

Of particular interest to Appellant was the sale of the nearby Angus property. It was explained the Angus residence shared the same floor plan as subject and was constructed one (1) year prior. The Angus property, however, was noted to include a larger corner lot and some upgraded interior finishes and amenities. The Angus property was central in Appellant's development of two (2) estimates of subject's current market value. The Angus property was listed for sale at the same time the subject property was on the market in mid-2018, but with a 7% higher asking price. Using the Angus property's October 2021 asking price of \$649,900, Appellant made a 7% downward adjustment, resulting in a value estimate of \$604,407 for subject.

In an alternative approach concerning the Angus property, Appellant adjusted the current 2022 land value downward by 20% because the Angus lot was 20% larger. This equated to a \$46,000 adjustment, which Appellant subtracted from the \$703,000 total valuation of the Angus property, resulting in a value of \$657,000 for subject.

Appellant's final value indication was calculated using the 16.1% price appreciation rate cited by a local news station. Appellant applied the appreciation rate to subject's 2021 assessed value to arrive at a value indication of \$604,300.

Though the Board understands the methodologies employed by Appellant, none were recognized appraisal approaches. At the core of the methodologies was a heavy reliance on comparing assessed values, which is not considered the best method to determine market value. It was also not lost on the Board the sale price of the Angus property was the lowest of all the sales presented by both parties, which runs contrary to Appellant's characterization of corner lots being more desirable than interior lots. It was also on the market for only four (4) days, which suggests the property was likely listed near the lower end of the probable price range. Further, it was learned the 16.1% price appreciation reported by the news station reflected a one-month price increase, not the annual appreciation rate as Appellant initially believed. According to Respondent's data, the county-wide average increase during 2021 was roughly 30%. In short, there were too many concerns with the various valuation methods offered by Appellant to place primary reliance on the value conclusions reached thereunder.

Respondent's sales analysis was better received by the Board, as it relied on accepted appraisal practices. Five (5) sales from the immediate neighborhood, including two (2) of the same sales offered by Appellant. Each sale property was individually

compared to the subject property, and adjustments were made for noted differences in physical characteristics. Respondent also applied a 1.5% per month time adjustment to the respective sale prices. Respondent's analysis yielded adjusted prices ranging from \$663,347 to \$754,536. As evidenced by the limited number of adjustments, which ranged from 1.3% to 3.4% on a net basis, the sale properties analyzed by Respondent were notably similar to subject in many key respects.

While subject's current assessed value of \$720,000 is bracketed by the adjusted sale prices determined by Respondent, the value is on the higher end. The average adjusted price of Respondent's five (5) sales is approximately \$713,000, and the average price of the four (4) sale properties located within subject's subdivision is roughly \$710,000. The average price is even lower, at \$703,000, when the highest adjusted sale price is removed. Subject's valuation exceeds all these average price points, which in the Board's view, supports a modest value reduction.

Idaho Code § 63-511 places the burden of establishing error in subject's valuation by a preponderance of the evidence on Appellant. Given the record in this matter, the Board found the burden of proof satisfied, though did not find adequate support for the values petitioned by Appellant. Based on the available sales data, the Board will reduce subject's total valuation to \$710,000. The decision of the Ada County Board of Equalization is modified accordingly.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Ada County Board of Equalization concerning the subject parcel be, and the same

hereby is, MODIFIED to reflect a decrease in total value to \$710,000, with \$208,000 attributable to the land, and \$502,000 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 23rd day of November, 2022.