

BEFORE THE IDAHO BOARD OF TAX APPEALS

SANTORINI, LLC,	)	
	)	
Appellant,	)	APPEAL NO. 22-A-1015
	)	
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. RP0004400A0100A. The appeal concerns the 2022 tax year.

This matter came on for hearing September 20, 2022, in Sandpoint, Idaho, before Hearing Officer Travis VanLith. President Donna Schau appeared at hearing for Appellant. 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 reversed.**

FINDINGS OF FACT

The assessed land value is \$208,192, and the improvements' value is \$717,192, totaling \$925,562. Appellant agrees with the land value but contends the correct value of the improvements is \$326,383, totaling \$534,575.

The subject property is a .30 acre residential parcel located in the gated Cape Horn Estates subdivision in the southwestern corner of Bonner County. The property enjoys 72 waterfront feet along the western shores of Lake Pend Oreille. The property is improved with a 2,336 square foot multi-level residence constructed in 1992. Other improvements include decking at the waterfront, boat docks, utility sheds, and a couple other small improvements on the property.

Appellant first detailed the history leading to this appeal. After receiving a notable increase in valuation for the 2021 assessment year, Appellant appealed subject's assessed valuation to this Board (BTA). Subject's initial 2021 assessed value was \$905,285, which was reduced by the Bonner County Board of Equalization (BOE) to \$742,655. The BTA further reduced the value to \$458,048, with \$226,283 attributable to the land and \$241,765 to the improvements.

For 2022, it was explained Respondent increased improvement values throughout the subdivision by 75%. In fact, Respondent reported improvement values across the county increased notably for the current assessment year, though the percentage increases varied somewhat by specific neighborhood. Subject's initial 2022 assessment notice reflected a total value of \$630,136, with \$208,192 attributable to the land, and \$421,136 to the improvements. The BOE increased the value of subject's improvements to \$717,370, resulting in a total valuation of \$925,562, or an increase of 197% over the 2021 value ordered by the BTA. Appellant argued the BOE's decision to increase subject's value above the 75% market trend applied throughout the neighborhood violated Idaho Code § 63-3813, which generally provides a valuation determined by the BTA shall not be increased in the subsequent assessment year unless a physical change occurs to

the property, or the increase is the result of trending or equalization applied to all properties within a particular property class or to a clearly defined area. Appellant stressed that of all the owners from the subdivision who appealed their assessments, the BOE increased values on only three (3), which Appellant argued was inconsistent with the provisions of Idaho Code § 63-3813. Appellant petitioned the 2021 value determined by the BTA be carried forward to the current assessment year.

In support of subject's current assessed value, Respondent developed two (2) valuation models using recent sales. Three (3) waterfront sales from the immediate neighborhood were included in the first analysis: two (2) located within the subdivision and one (1) located across the county line in neighboring Kootenai County. Sale No. 1, located in Kootenai County, concerned a 3,678 square foot residence constructed in 1988, with 146 front feet on the lake. The property sold in August 2021 for \$1,199,000. Sale No. 2, which closed in October 2021, was a 1,776 square foot residence constructed in 1985 situated on a waterfront parcel with 118 front feet on the lake. Lastly, Sale No. 3 was the \$1,100,000 sale in October 2020 of the improved property adjacent to subject with 64 waterfront feet. The year of construction was not apparent in the record, but the sale residence had been extensively upgraded prior to sale. Respondent reported an effective age of 2005 for the residence. Respondent compared each sale property to subject and made appraisal adjustments for differences in property characteristics such as, construction quality, condition, year built, and gross living area. Respondent concluded adjusted sale prices ranging from \$827,010 to \$1,114,364.

Respondent's second valuation model took a broader approach. Again, three (3) sales were included in the analysis, though only one (1) was located in subject's

subdivision. Locations of the remaining sale properties were not shared, but they were reportedly located in rural Bonner County. These sales were chosen for their general similarity to subject's residence. Sale No. 1 was a 1,916 square foot residence constructed in 1994 with an October 2021 sale price of \$775,000. Sale No. 2, located in subject's subdivision, concerned a 1993 residence with 1,452 square feet of living area. This property sold in August 2022 for \$1,200,000. Sale No. 3, which transpired in April 2021 for \$1,520,000, involved a 2,664 square foot residence constructed in 2003. After making adjustments for differences in property characteristics, Respondent determined adjusted prices from \$843,035 to \$1,088,821. Based on the sales comparison models, Respondent maintained subject's current valuation of \$925,562 was reasonable.

#### 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, 2022, 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 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 the differences in property characteristics between subject and the sale properties.

The issue in this appeal centers on whether the BOE's decision to increase the value of subject's improvements was consistent with the provisions of Idaho Code § 63-3813 related to a final decision of the BTA. The statute reads in relevant part,

In all cases which are not appealed to the district court within the prescribed time, the decision of the board of tax appeals shall be conclusive and all records shall be corrected to comply with the decision of the board. A final decision or order of the board of tax appeals directing a market value change shall be fixed for the current year appealed and there shall be no increase in value for the subsequent assessment year *when no physical change occurs* to the property; provided however, that *annual trending or equalization applied to all properties of a property class or category within the county or a clearly defined area shall still apply . . . .*

(Emphasis added)

There are several key elements included in the above statute. The first is that a market value decision of the BTA shall not be increased for the current assessment year and the subsequent year if such decision is not timely appealed to the district court. In 2021, the BTA issued an order directing a change in subject's market value from \$742,655 to \$458,048. The BTA's 2021 decision was not appealed to the district court. As such, the BTA's decision became conclusive, and subject's current 2022 valuation should have remained the same as ordered by the BTA in 2021.

There are, however, a couple exceptions to the prohibition against increasing values the subsequent assessment year. This is the second key element of the statute, which states the valuation for the subsequent assessment year may be increased if there is either a physical change to the property or through application of a market trend or an equalization action applied to all properties within a particular category or class, or a clearly defined area. There were no physical changes to the subject property during 2021, but Respondent did apply a market trend factor to all properties in subject's clearly defined neighborhood. While the 75% trend factor Respondent applied to all residential improvements in subject's subdivision was implemented in compliance with Idaho Code §63-3813, the same cannot be concluded for the BOE's decision to increase the value of subject's improvements. Stated simply, the BOE's decision should apply to all properties within a particular class or category or to a clearly defined area as required by the statute. Rather, the BOE's decision was specific to the subject property, which runs contrary to the relevant provisions of the law. In the Board's view, this is a clear violation of Idaho Code § 63-3813 and must therefore be overturned.

In appeals to this Board, Appellant bears the burden of proving error in subject's current valuation by a preponderance of the evidence. Idaho Code § 63-511. Based on the evidence presented in this matter, the Board found the burden of proof satisfied, though did not find sufficient support for the value petitioned by Appellant. Instead, the Board will reinstate subject's original 2022 assessed value, as such value was the result of market trending applied consistently with the provisions of the controlling statute.

Given the above, the decision of the Bonner County Board of Equalization is reversed.

## 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, REVERSED, lowering the total valuation to \$630,136, with \$208,192 attributable to the land and \$421,944 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 that under certain circumstances the above-ordered value for the current tax year shall not be increased in the subsequent assessment year.

DATED this 23<sup>rd</sup> day of November, 2022.