

BEFORE THE IDAHO BOARD OF TAX APPEALS

GEORGETTE WADSWORTH,)	
)	
Appellant,)	APPEAL NO. 22-A-1004
)	
v.)	FINAL DECISION AND ORDER
)	
SHOSHONE COUNTY,)	
)	
Respondent.)	
)	
_____)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Shoshone County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. RPG02000000150A. The appeal concerns the 2022 tax year.

This matter came on for hearing September 22, 2022, in Wallace, Idaho, before Hearing Officer Travis VanLith. Appellant Georgette Wadsworth was self-represented. Shoshone County Assessor Jerry White 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 Shoshone County Board of Equalization is modified.

FINDINGS OF FACT

The assessed land value is \$94,580, and the improvements' value is \$268,323, totaling \$362,903. Appellant contends the correct total value is \$304,816.

The subject property is a .465 acre residential property located in the Fairway Heights Second Addition subdivision in Pinehurst, Idaho. The property is improved with

a ranch-style residence with a bonus room over the basement-level garage constructed in 1975. The two (2) bedroom, two (2) bathroom residence totals 2,167 square feet in size, of which 1,685 square feet are finished. The remaining space is the unfinished garage. The property is further improved with an 884 square foot pole building.

Appellant purchased the subject property in August 2018 for \$238,400. Since that time, subject's assessed value has increased notably to the current valuation of \$362,903. Following an inquiry from Appellant, Respondent visited the subject property in 2021 to confirm the characteristics reflected in the property record. The inspection revealed several errors in subject's characteristics, which Respondent remedied by changing the effective age of the residence, removing an old shed no longer on the property, implementing a landscaping adjustment, and changing the basement garage to unfinished space. The result was a reduction in subject's 2021 assessed value from roughly \$345,000 to \$295,000, which Appellant viewed as reasonable.

In support of reducing subject's assessed value, Appellant provided information concerning three (3) sales from subject's neighborhood. Sale No. 1, located on the same street as subject, sold in June 2019 for \$199,000, or approximately \$117 per square foot. The sale property was a .701 acre lot improved with a three (3) bedroom, two (2) bathroom split-level residence with 992 finished square feet on the upper level and 698 finished square feet in the lower level. Other improvements included an attached two (2) car garage and a detached pole building. Appellant highlighted the current assessed value of this property is roughly \$300,000, whereas subject's current valuation is \$362,903.

The second sale property was a .45 acre parcel improved with a four (4) bedroom, three (3) bathroom multi-level residence constructed in 1969. Located one (1) block from subject, the sale residence totaled 2,922 square feet, though Appellant did not know how much of the living space was above ground and how much was below grade. The residence also included an attached two (2) car garage. This property sold for \$299,000, or roughly \$86 per square foot in March 2020.

Appellant's Sale No. 3 concerned a three (3) bedroom, three (3) bathroom multi-level residence situated on a .92 acre lot approximately one (1) block from subject. Constructed in 1975, the sale residence totaled 2,816 square feet of finished living area, with 2,090 square feet on the main level and 726 square feet in the lower level, plus an attached two (2) car garage. This property sold in October 2020 for \$299,000, or \$106 per square foot.

Appellant calculated an average price of \$246,600, or \$134 per square foot, for the three (3) sales. The average price rate was applied to subject's finished living area, yielding a value of \$225,790. To this figure, an upward 35% adjustment was applied, which Appellant stated was the average value increase for 2022. The result was a value indication of \$304,816 for subject.

Respondent disagreed with the sales and analysis offered by Appellant. Specifically, Respondent stressed the sales transpired in 2019 and 2020 and therefore represented rather stale sales data. It was also noted no time adjustments were applied to the sale prices to reflect market pricing levels on the January 1, 2022, assessment date. Based on the available sales data, Respondent reported a 1.75% per month time adjustment to bring Appellant's sale prices to current market levels.

Respondent offered information on three (3) sales in support of subject's current valuation. Sale No. 1 was a .29 acre lot improved with a multi-level residence constructed in 1936 and a detached pole building. The three (3) bedroom, one and one-half (1½) bathroom residence totaled 2,205 square feet in size, of which 1,389 square feet were finished. The property sold in November 2021 for \$375,000. Respondent reported a price rate of \$127 per square foot for the sale residence. Details concerning Respondent's price rate calculation were not shared, but presumably the assessed values of sale lot and other associated improvements were removed from the sale price, leaving a residual value for the residence.

Respondent's Sale No. 2 concerned a two (2) bedroom, one (1) bathroom residence situated on a .53 acre parcel. The residence included 1,197 total square feet, of which 892 square feet were reportedly finished. The property was further improved with a detached garage and a 1,500 square foot pole building. This property sold in October 2021 for \$363,000, with a price rate of \$184 per square foot for just the residence.

Lastly, Sale No. 3 was a single-level residence constructed in 1937 with 1,414 finished square feet. The three (3) bedroom, two (2) bathroom residence was attached to a .18 acre lot. This property sold in August 2021 for \$349,000. Respondent calculated a price of \$198 per square foot for the residence. Based on the price range from \$127 to \$198 per square foot, Respondent maintained the \$112 per square foot valuation rate of subject's residence 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 the market value of real property. *Merris v. Ada Cnty.*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). In basic terms, the sales comparison approach compares recent sales of similar properties to the subject property and makes appraisal adjustments for differences in important property characteristics.

Neither party developed a traditional sales comparison valuation model, though both parties provided several sales for the Board’s consideration, which efforts were appreciated. That being said, there were some concerns with both parties’ sales. Appellant’s sale properties were similar to subject in terms of location, finished living area, multi-level design, and age. Two (2) of the sales, however, transpired during 2020 and one (1) closed in mid-2019, which makes the information somewhat stale for purposes of estimating subject’s market value on January 1, 2022. It is well known the real estate market has experienced rapid appreciation over the last several years, so at the very

least, the respective sale prices would need to be time-adjusted to reflect pricing levels as of the assessment date. And despite the overall similarity with subject, the sale properties did differ in some respects, for which consideration should be given.

Respondent's sales were more recent, having occurred during late 2021. Though the data was timely from an appraisal perspective, there were questions of comparability between subject and Respondent's sale properties. In addition to being located outside subject's neighborhood, all three (3) sale residences were constructed in the mid-1930s, and all shared the same "Good" condition rating. The subject residence was constructed in 1975 and has a lower condition rating of "Average". Further, Sale Nos. 1 and 3 were notably smaller lots, and the finished living area of Sale No. 2 was roughly one-half ($\frac{1}{2}$) the amount of finished space in the subject residence. Lastly, Sale No. 3 was a single-level residence, which in the Board's experience typically sell higher than multi-level designs on a per-square-foot basis.

As no two (2) properties are identical, different property characteristics are to be expected and is the reason appraisal adjustments are made for purposes of comparison to the subject property. Respondent's sales analysis could have benefited from a more deliberate consideration of the key differences in the characteristics of the sale properties.

Another concern with Respondent's analysis was the lack of detail in calculating the price rates for the sale residences. Presumably, Respondent removed the assessed values of sale lots and other improvements from the respective sale prices, thereby leaving residual price indications for the sale residences. From the Board's perspective, this type of extraction methodology can be problematic for several reasons. First, the extraction method assumes the assessed values of the land and other improvements

being removed from the sale prices are accurate. This is a weighty assumption, particularly for those properties which have not been recently reappraised but have instead been trended. Values developed through annual trending become less reliable with each passing year because the trend is typically based on average market appreciation rates, with no consideration for individual property characteristics or unique conditions. There was no indication here as to when the sale properties were last physically reappraised.

Another concern for the Board was the lack of details about the other improvements associated with the sale properties and the specific values Respondent removed from the respective sale prices. On an overall basis, the sale prices ranged from roughly \$247 to \$407 per square foot. Respondent, however, reported price rates from \$127 to \$198 per square foot for just the sale residences using its extraction methodology. Such a notable difference in price rates indicates significant value attributable to land and other improvements. The fundamental weakness in the extraction method utilized by Respondent is it effectively ignores everything except the sale residences. This was difficult for the Board to accept, particularly because it is well-understood in appraisal there are many factors that contribute value to a residential property, not just the residence. Residential property sells as a whole unit, complete with the lot, residence, and other associated improvements. Where Respondent's analysis did not consider other important factors such as location, age, finished living area, and condition, it was difficult for the Board to rely too heavily on the resulting value conclusion for the subject property.

Despite the concerns expressed above, the Board understands the parties were restricted to the limited pool of available sales, which can make direct sales comparisons

more difficult. When presented with a small pool of sales, it is acceptable appraisal practice to expand the scope of the sales search in both geography and in time. Given the limited number of 2021 sales in the record and questions concerning the comparability of those sales to the subject property, the Board found good cause to expand the sales pool to include consideration of Appellant's older sales from 2019 and 2020. Respondent reported a 1.75% per month upward time-adjustment over relevant period, which when applied to Appellant's sales resulted in time-adjusted prices of roughly \$303,000, \$346,000, and \$377,000, or respective price rates of \$180, \$118, and \$134 per square foot. These prices better fit with the sale prices Respondent reported of \$375,000, \$363,000, and \$349,000, which when applied against the gross square footage of the sale residences equates to prices of approximately \$170, \$303, and \$247 per square foot, respectively.

While the sale prices, ranging from \$303,000 to \$375,000, appear to represent a reasonable range of value, the same cannot be said for the range shown by the per-square-foot price rates, which ranged from \$118 to \$303 per square foot. The two (2) highest price rates were Respondent's Sale No. 2 at \$303 per square foot, and Sale No. 3 at \$247 per square foot. Looking closely at these two (2) sales, the higher price rates are not surprising. Sale No. 2 was a residence less than one-half ($\frac{1}{2}$) the size of the subject residence, in both gross square footage and finished living area. Economies of scale naturally suggest a smaller, but otherwise similar residence, will sell at a higher rate per square foot than a larger residence. This explains why the price rate of \$303 per square foot for Sale No. 2 sat alone at the top of the range. Respondent's Sale No. 3, while similar to subject's residence in finished living area, was a single-level residence

with approximately 700 fewer total square feet. Both of these factors contributed to Sale No. 3 having the second highest price rate of \$247. Given the relatively tight range of the remaining price rates, it is clear Sale No. 2 and No. 3 are outliers in the data set.

Removing the two (2) outliers, the average price rate of the remaining four (4) sales is roughly \$150 per square foot. Where subject's current assessed value calculates to approximately \$167 per square foot, the sales provide support for a somewhat lower valuation.

Pursuant to Idaho Code § 63-511, Appellant bears the burden of establishing error in subject's valuation by a preponderance of the evidence. In this instance, the Board finds the burden of proof satisfied, however did not find sufficient support for the value petitioned by Appellant. Though the Board would have preferred a more direct sales comparison analysis, the raw sales data pointed to a lower valuation for the subject property. Applying the average price rate of \$150 per square foot calculated above to subject's 2,167 gross square feet, yields a total value of \$325,050. The decision of the Shoshone County Board of Equalization is hereby modified accordingly.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Shoshone County Board of Equalization concerning the subject parcel be, and the same hereby is, MODIFIED, to reflect a decrease in total valuation to \$325,050. Without a detailed breakdown of the specific values, the Board is unable to allocate the total value to subject's individual property components. However, in an effort to not disrupt Respondent's land valuation tables, the value reduction ordered here does not apply to

subject's land value, but rather to all other components comprising subject's total property assessment.

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 5th day of December, 2022.