

BEFORE THE IDAHO BOARD OF TAX APPEALS

PATRICK GALLES,)	
)	
Appellant,)	APPEAL NO. 22-A-1162
)	
v.)	FINAL DECISION AND ORDER
)	
KOOTENAI COUNTY,)	
)	
Respondent.)	
)	
_____)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Kootenai County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. 50N05W142500. The appeal concerns the 2022 tax year.

This matter came on for hearing October 14, 2022, in Post Falls, Idaho, before Board Member Kenneth Nuhn. Appellant Patrick Galles was self-represented. Kootenai County Appraisal Manager Troy Steiner represented Respondent.

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

The issue on appeal concerns the market value of an improved residential property.

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

FINDINGS OF FACT

The assessed land value is \$309,880, and the improvements' value is \$196,360, totaling \$506,240. Appellant does not dispute the improvements' value but contends the correct land value is \$209,880, totaling \$406,240.

The subject property is a 20.0 acre parcel located in Post Falls, Idaho. The property includes 19.0 acres of forest land assessed at \$9,880. The remaining 1.0 acre is a

residential homesite. The property is improved with a two (2) bedroom, one (1) bathroom 972 square foot ranch-style residence built in 1996 and most recently remodeled in 2013. In this appeal, Appellant only disputes the \$300,000 assessed value of the 1.0 acre homesite.

Appellant submitted an appraisal report for the Board's consideration; however, the report noted it is not an appraisal *per se* and is simply being used to provide and analyze market data. The report provided information on six (6) properties which sold from January to September 2021 in Post Falls and nearby Coeur d'Alene. The sale properties were between .49 and 4.22 miles from subject, regarded vacant land, and were between .70 and 6.02 acres in size. The properties sold for between \$50,000 and \$350,000. Appellant adjusted each sale price for differences between subject's 1.0 acre homesite and the sale properties, which concluded in adjusted sale prices of \$71,429 to \$170,264. The adjustments made to each property equated to net adjustments of 13% to 167% and gross adjustments from 62% to 167%.

Appellant shared some specific differences between the sale properties and subject. Sale Nos. 4 and 6 were in private, gated subdivisions. Sale No. 3 had a dock and river access. Sale No. 4 had "fantastic river and mountain views." In comparison, subject is located at the end of a mile-long unmaintained rural dirt road with no view. Appellant stated there was a \$100,000 adjustment applied to sales with superior views, and a \$100,000 per acre adjustment, except on Sale No. 5 which had over six (6) acres, whose adjustment was \$50,000 per acre. Appellant also expressed concern that Sale No. 5 was a property of six (6) acres but sold for only \$5,000 more than subject's 1.0 acre homesite valuation.

Respondent explained subject was last reappraised for the 2019 assessment year. Reappraisal is the process where a property is physically inspected, and identifiable changes are updated on the property record to make potential value changes. Subject, according to Respondent, is valued as having “no view,” which carries the lowest site valuation in subject’s area. Respondent also explained site values are based more on degree of views and access, rather than size. Adjustments to value are made for differences in topography, and value is added for acreage above the 1.0 acre designated homesite. Respondent also shared subject’s residence is rated as being of fair quality and in average condition.

Respondent next shared the real estate market in Kootenai County was one of the fastest appreciating markets in the country in 2021. Respondent reported values in Post Falls rose a median of 33%. Respondent used a 2.5% per month appreciation rate for purposes of time-adjusting the sale prices in its sales comparison analysis. Overall, value changes in subject’s neighborhood were supported by fourteen (14) 2021 sales, all of which had the same access road as subject and were within 1.5 miles from subject.

Respondent testified the value change subject experienced was based solely on the market adjustment, since subject was not due for reappraisal. To calculate the market adjustment, Respondent completed a ratio study on the neighborhood. Respondent compared the sale prices with the respective assessments and updated identifiable changes on property records. A ratio measures the difference between a property’s sale price and its most recent assessed value, expressed as a percentage. If this ratio is out of line with relevant standards, market adjustments may be necessary based on what the sales data identifies and supports within the neighborhood. Overall, Respondent shared

its most recent ratio study shows subject's neighborhood is assessed at 98.05% of value, compared to the pre-adjustment ratio of 78.21%.

Respondent questioned why Appellant utilized so many sales with such stark differences from subject, because there were sales more similar, including one (1) on subject's own street. According to Respondent, there were six (6) improved sales that occurred in 2021 within 1.5 miles of subject. Respondent opined there wasn't much validity in comparing .5 to 6.0 acre vacant parcels to the 20.0 acre improved subject property. Respondent also testified Appellant's Sale Nos. 1 and 2 are non-buildable. The exact valuation was not provided, but Respondent also shared Appellant's Sale No. 6 has a current homesite assessed value above subject's homesite value of \$305,976.

Respondent provided information on three (3) sales to support subject's assessed value. Sale No. 1 regarded a 5.0 acre property located roughly two (2) parcels north of subject with no view which sold for \$824,000 in November 2021. This property was improved with a residence of 2,488 finished square feet with an effective build year of 1990. Respondent adjusted the sale price for differences between subject and the sale property and reported an adjusted sale price of \$1,025,267. Sale No. 2 was an 11.20 acre property located .6 miles from subject with an average view which sold for \$725,000 in May 2021. This property was improved with a 1,960 square foot residence with an effective build year of 1990. Its adjusted sale price was \$868,378. Sale No. 3 was a 0.81 acre property located 3.4 miles from subject with an average view which sold in July 2021 for \$634,000. This property was improved with a 2,024 square foot residence, which includes a 960 square foot walk-out basement, with an effective build year of 2010. Its adjusted sale price was \$977,224. Without the forestland exemption, Respondent shared,

Appellant's property value totals \$897,184. Respondent maintained these sales support that value, as well as subject's current total assessed value of \$506,240.

Regarding Appellant's concern with the value of subject's homesite, Respondent shared the homesites of the sale properties had 2022 assessed values of \$300,000, \$360,000, and \$345,000, respectively. Respondent offered these values as further support subject's 1.0 acre homesite value of \$300,000 is equitable.

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. There are three (3) approaches to value: the sales comparison approach, the cost approach, and the income approach. 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.

Appellant provided information on six (6) sales argued to support a reduction in subject's homesite value; however, the Board had concerns regarding the analysis. As Respondent shared, many of the sales were dissimilar to subject in terms of buildability, size, location, and view. These differences were demonstrated through the gross adjustments Appellant applied to the sales to make them comparable to subject, which ranged from 62% to 167%. These high levels of adjustment suggest an excessive level of dissimilarity between the sale properties and subject. In the Board's experience, a valuation analysis in which the "comparable" sales are adjusted as much as 167% must be viewed with heightened caution. Appraisal adjustments are inherently subjective, so the fewer adjustments needed to make the sale properties comparable to subject, the more credible the value result, because the appraiser's implicit biases are minimized. In short, the Board was unpersuaded Appellant's analysis yielded the most reliable indication of subject's current market value, so afforded the information little weight.

Respondent provided three (3) sales for the Board's consideration, and while adjustment rates totaled less than Appellant's, they too were somewhat concerning to the Board. Respondent's gross adjustments ranged from approximately 39% to 80%, which also suggest dissimilarity between the sale properties and subject. Despite this, Respondent did demonstrate the 1.0 acre homesite, the value of which Appellant was solely concerned with, was equitable, as the homesites of the sale properties had current assessed values of \$300,000 to \$360,000, and subject's is assessed at \$300,000.

In accordance with Idaho Code § 63-511, the burden is with Appellant to establish subject's valuation is erroneous by a preponderance of the evidence. The Board did not find the burden of proof satisfied in this instance. While stronger comparable sales would

have been preferred, there was no evidence in the record subject is overvalued. Considering the above, the Board will not disturb subject's assessment.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Kootenai County Board of Equalization concerning the subject parcel be, and the same hereby is, AFFIRMED.

DATED this 22nd day of February, 2023.