

BEFORE THE IDAHO BOARD OF TAX APPEALS

MIKLYN AND CHRISTOPHER HELMS,	)	
	)	
Appellants,	)	APPEAL NO. 22-A-1169
	)	
v.	)	FINAL DECISION AND ORDER
	)	
KOOTENAI COUNTY,	)	
	)	
Respondent.	)	
	)	
	)	
	)	

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**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. CJ3760010030. The appeal concerns the 2022 tax year.

This matter came on for hearing October 13, 2022, in Post Falls, Idaho, before Board Member Kenneth Nuhn. Appellants Miklyn and Christopher Helms were self-represented. Kootenai County Chief Deputy Assessor Benjamin Crotinger 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 \$290,400, and the improvements' value is \$525,389, totaling \$815,789. Appellants contend the correct total value \$738,763.

The subject property is a .348 acre residential parcel located in the Bentwood Park subdivision in Coeur d'Alene, Idaho. The property is improved with a 2,129 square foot

three (3) bedroom, two (2) bathroom ranch style residence constructed in 2007, with a bonus room above the attached three (3) car garage.

Appellants' primary concern centered on subject's current assessed value compared to those of the adjacent parcels on either side of subject. The property to the west of subject is a .349 acre lot improved with a 2,280 square foot four (4) bedroom, two (2) bathroom residence constructed in 2008. The current assessed value of this property is \$761,273. The property to the east of subject is a 2,188 square foot three (3) bedroom, two (2) bathroom residence situated on a .331 acre lot with a current assessed value of \$790,624. This residence, constructed in 2007, was described by Appellants as, "... a mirror image of the subject property, although the floor plan is a little different." Appellants questioned why subject's current valuation of roughly \$815,000 was higher than the values of the two (2) neighboring parcels. In Appellants' view, a more appropriate valuation for subject would be the average of the neighbors' valuation rates, which Appellants calculated to be \$347 per square foot. Applying this rate to subject's finished living area, Appellants concluded a total value of \$738,763 for the property.

Appellants additionally described some difficulties associated with the subject property argued to not be reflected in the current valuation. To begin, a fifty (50) foot wide utility easement runs through the middle of the subject lot, which limited the building envelope to the northern-most portion of the parcel, away from the street. The residence consumes most of the available building site, leaving a small back yard area. As the residence sits back away from the street, a rather long driveway is needed to access the dwelling. The concrete driveway, however, was described as falling into disrepair and in need of replacement. Appellants attributed the faltering driveway to the fact it was poured

during a particularly cold and wet February, which affected the concrete's integrity, as well as the prior owner's heavy use of salt to keep the driveway free of ice during winter months. Though no formal bid has yet been obtained, Appellants estimated a replacement cost of the driveway between roughly \$10,000 and \$15,000. Lastly, it was noted the garage depth is insufficient to accommodate larger vehicles such as a full-size pickup. In Appellants' opinion, insufficient consideration was given to these limiting conditions.

In terms of market data, Appellants provided information on four (4) recent sales within one-half ( $\frac{1}{2}$ ) mile of the subject property. The sale residences were all three (3) bedroom, three (3) bathroom designs constructed between 2000 and 2004. Sale No. 1 was a 1,968 square foot residence situated on a .286 acre lot which sold in June 2021 for \$650,000, or \$330 per square foot. Next, was the July 2021 sale of a .268 acre parcel improved with a 2,741 square foot residence for \$890,000, or \$325 per square foot. Sale No. 3 was a 2,483 square foot residence attached to a .272 acre lot with a July 2021 sale price of \$640,000, or \$258 per square foot. Lastly, Sale No. 4, with a November 2021 sale price of \$655,000, or \$238 per square foot, concerned a .343 acre parcel improved with a 2,753 square foot residence. Applying the average price rate of \$285 per square foot to subject's 2,129 square feet, Appellants calculated a value of \$606,765. Appellants then calculated a value of \$696,183 using the average price rate of \$327 per square foot for the two (2) sale properties located in subject's same Brentwood Park subdivision. To account for subject's larger lot size and somewhat newer construction compared to these two (2) sale properties, Appellants concluded a final value of \$731,666, which closely

approximated the \$738,763 value Appellants determined above using the assessments of the two (2) neighboring properties.

Lastly, Appellants provided a couple pages from an independent fee appraisal of the subject property commissioned in connection with Appellants' refinancing efforts in mid-2021. No details of the appraisal's methodology or analysis were shared, just the cover page, a summary page, and an accompanying summary letter authored by the appraiser, all indicating a final value opinion of \$665,000 as of July 28, 2021. Appellants highlighted subject's current assessed value is roughly \$150,000 more than the value concluded in the appraisal report. In Appellants' view, it was unrealistic that subject's market value increased so markedly during the five (5) month period between the effective date of the appraisal and the January 1, 2022, date of assessment.

With respect to the assessments of the neighboring properties, Respondent explained the assessed values are somewhat lower than subject's valuation because there are a few key differences in the property characteristics. Regarding the property to the west of subject, Respondent stressed it was a tri-level residence which is not comparable to subject's single-level, ranch-style design. As for the eastern neighbor with the mirror-image residence, Respondent explained that while the residence shares many important physical similarities, the subject residence was marketed as having been remodeled at the time Appellants purchased the property in July 2015. The reported updating work resulted in a decrease in subject's effective age from 2007 to 2012, which in turn lowered the depreciation factor and increased the assessed value compared to the valuation of the residence on the neighboring parcel to the east. In Respondent's

view, there was no inconsistent or inequitable treatment of subject compared to the neighboring properties.

Respondent also offered some criticisms of Appellants' appraisal report. First, the effective date of the appraisal is July 2021; however, the relevant date for purposes of assessment in this case is January 1, 2022. Though Respondent likewise did not provide a copy of the full appraisal report, two (2) pages were submitted to the record, which included three (3) of the sales used in the valuation analysis. Respondent pointed out the appraisal utilized only a 5% annual time adjustment, which contrasted sharply with the market appreciation rates reported by various sources. For instance, the Federal Housing Finance Agency reported Idaho's price appreciation during 2021 was the third highest in the U.S. And over the same time period, the local Coeur d'Alene Multiple Listing Service found a 35% increase in median sale price for the Kootenai County region. Lastly, the assessor's office concluded a 30% annual increase, or 2.5% per month, based on a study of more than 5,000 sales across the county.

Respondent applied this 2.5% per month time adjustment rate to the three (3) sales in Appellants' appraisal report, which changed the adjusted sale prices from roughly \$684,000 to \$847,000 for Sale No. 1, \$653,000 to \$813,000 for Sale No. 2, and \$650,000 to \$747,000 for Sale No. 3. Subject's assessed value of approximately \$816,000 was noted to fall near the middle of the range indicated by the time-adjusted sale prices from the appraisal report.

Respondent further provided a comparative analysis of three (3) sales which transpired during 2021 from subject's local geographic area, referred to by Respondent as GEO 4040, plus one (1) sale from adjacent GEO 4011. The first sale was a .516 acre

parcel improved with a 2,000 square foot four (4) bedroom, two and one-half (2½) bathroom single level residence with a 2010 effective build year. This property sold in June 2021 for \$755,000. Sale No. 2 was the \$760,000 purchase in July 2021 of a .217 acre lot improved with a 2,820 square foot three (3) bedroom, two and one-half (2½) residence with a 2010 effective year of construction. The third sale property concerned a five (5) bedroom, four (4) bathroom residence with a total of 3,393 square feet spread across two (2) above grade floors and a finished basement. This .265 acre parcel sold at the end of November 2021 for \$860,000. The final sale included in Respondent's analysis was a 1,968 square foot three (3) bedroom, two and one-half (2½) bathroom, two (2) story residence situated on a .286 acre lot with a June 2021 sale price of \$615,000. In addition to a 2.5% per month time adjustment to the sale prices, Respondent made further adjustments for lot size, gross living area, outbuildings, garage size, and patios. The result was adjusted prices of \$821,200, \$835,650, \$816,455, and \$771,250, respectively, which Respondent argued strongly supported subject's current valuation of \$815,789.

### 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 approaches 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.

Appellants' primary support for reducing subject's current valuation was a comparison of assessed values of the neighboring properties on either side of subject. While the Board understands Appellants' concerns with the valuations of the two (2) nearest properties, a comparison of assessed values is not a recognized appraisal approach. An examination of assessed values in an area of highly similar properties can potentially identify inequitable assessment, but no such identification can be made with only two (2) assessments of properties with notable differences in characteristics, as is the case here with the properties discussed by Appellants. As noted by Respondent, one (1) of the neighboring residences is a tri-level design, which is not comparable to subject's single-level floorplan. A multi-level residence costs less to construct than a similarly sized single-level residence of comparable quality due to the smaller footprint needed for the foundation and the smaller roof needed to cover the structure.

As for the lesser valuation of the other neighboring property, Respondent explained the subject residence was remodeled prior to Appellants' 2015 purchase, which

reduced the effective age of the structure and the physical depreciation factor, thereby increasing the value of subject's residence compared to residence on the neighboring property. For these reasons, the assessment information offered by Appellants did not factor into the Board's consideration of subject's current market value.

Better received by the Board were the multiple recent sales offered by both parties. In addition to the three (3) sales included in the two-page excerpt from Appellants' appraisal report, the parties each provided details on four (4) more sales. Though the sales data was appreciated by the Board, there were some concerns with the comparability of some of the sale residences. From the photographs of Appellants' sale residences, it appears at least three (3) were multi-level designs, and Respondent's sales group also included a multi-level residence. As noted earlier, single-level residences are generally not regarded as comparable to dwellings with multiple floors, certainly not without appropriate appraisal adjustments to account for the differences in construction costs, which adjustments were absent from the parties' respective analyses.

Another concern with Appellants' sales data was the lack of adjustments for differences in property characteristics between subject and the sale properties and the absence of a time adjustment to reflect pricing levels on the relevant January 1, 2022, date of valuation in this appeal. The lack of an appropriate time adjustment was also the primary weakness in the limited portion of the appraisal report submitted to the record. The appraisal utilized a 5% annual time adjustment, which conflicts dramatically with the 30% or more market appreciation rates reported by numerous industry and government sources. The lack of an appropriate time adjustment, particularly given the unprecedented rate of price appreciation during 2021 in the local marketplace, was viewed by the Board



as a fatal flaw in Appellants' sales analysis, as well as that of the appraisal. It was also not lost on the Board that applying Respondent's 2.5% per month time adjustment to Appellants' sales and those in the appraisal report yields adjusted sale prices relatively close to subject's current valuation. In short, as most of the time-adjusted prices supported subject's assessed value, the Board did not find good cause for a reduction.

As the party initiating this appeal, the burden is with Appellants to demonstrate subject's assessed value is erroneous by a preponderance of the evidence. Idaho Code § 63-511. Based on the record in this matter, the Board did not find the burden of proof satisfied. Appellants' primary value evidence was the assessed values of two (2) neighboring properties, which for various reasons was not found to be a reliable indicator of current market value. And the lack of time adjustments to Appellants' sales, as well as those in the appraisal report, undermined the credibility of the respective value conclusions. The comparative sales analysis developed by Respondent, which generally adhered to relevant standards of accepted appraisal practice, was found by the Board to represent the most reliable indicator of subject's current market value in this instance. Accordingly, the decision of the Kootenai County Board of Equalization is affirmed.

#### 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 22<sup>nd</sup> day of February, 2023.

IDAHO BOARD OF TAX APPEALS