

BEFORE THE IDAHO BOARD OF TAX APPEALS

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| JUSTIN OLESON, |) | |
| |) | |
| Appellant, |) | APPEAL NO. 22-A-1176 |
| |) | |
| v. |) | |
| |) | FINAL DECISION AND ORDER |
| BINGHAM COUNTY, |) | |
| |) | |
| Respondent. |) | |
| |) | |
| |) | |
| |) | |

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Bingham County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. RP0440200. The appeal concerns the 2022 tax year.

This matter came on for hearing October 3, 2022, in Blackfoot, Idaho, before Board Member Leland Heinrich. Appellant Justin Oleson was self-represented. Bingham County Assessor Donavan Harrington 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 Bingham County Board of Equalization is affirmed.

FINDINGS OF FACT

The assessed land value is \$67,000, and the improvements' value is \$126,548, totaling \$193,548. Appellant contends the correct total value is \$102,228, with no allocation specified between land and improvements.

The subject property is a 2.0 acre rural residential parcel located a few miles northeast of Blackfoot, Idaho. The property is improved with a 1,331 square foot single-

level Boise Cascade pre-built modular home constructed in 1976. The residence consists of two (2) bedrooms and one (1) bathroom, and there is a 480 square foot detached garage also situated on the property.

Appellant characterized the subject residence as being in “pretty good shape” but emphasized it was a pre-manufactured structure, not a stick-built residence. Appellant also noted a ditch running behind the residence, with the acreage across the ditch described by Appellant as unusable sandy land. Appellant estimated roughly one-half ($\frac{1}{2}$) of the subject parcel is sand and argued the \$67,000 assessed value of the land was too high given the limited utility of the sandy area. Appellant contended the acreage should instead be categorized and assessed as either dry grazing agricultural ground or waste, not rural residential land.

Despite the physical challenges described by Appellant, subject is used as a rental property with a current lease rate of \$700 per month. As the property is used for income-producing purposes, Appellant argued the income approach was the appropriate appraisal methodology to use for estimating the current market value of the property. Appellant advocated the Gross Rent Multiplier (GRM) method, which produced a value indication of \$102,228 for the subject property using a multiplier factor reportedly used by the assessor’s office for other commercial property types. Appellant also calculated that in order to reach subject’s current assessed value using the GRM method, the monthly rental rate would need to be approximately \$1,325, which was unrealistic in Appellant’s view.

Respondent first noted the depreciation factor applied to subject’s residence was increased following a discussion with Appellant regarding the condition of the dwelling

and the fact it is a pre-built modular structure. Respondent explained Boise Cascade modular homes like subject are built according to more robust quality standards than a stereotypical manufactured home, though perhaps not quite to the standards of a stick-built residence. Giving more consideration to subject's status as a modular structure, Respondent ultimately resolved to reduce the value of subject's residence by roughly \$58,000, thereby reducing the total valuation from \$251,813 to \$193,548.

Respondent next explained its standard appraisal policy with respect to single-family residences is to assess them using the sales comparison approach to value, not the income approach as favored by Appellant. It was contended single-family residential properties are not typically purchased according to their income-producing potential, so in Respondent's view the income approach was not applicable to value the subject property. Further, Respondent stressed it does not possess income data on single-family residential rental properties, so developing a reliable income approach model was not possible. Respondent did share that an income approach methodology is used for multi-family residential properties because those properties are commercial in nature and are typically traded in the marketplace based on their income potential and the relevant income data is more readily available, which allows for a more reliable income approach analysis. Respondent regarded relying on subject's rental data as untenable because the monthly lease rate was below market, so again stressed the sales comparison approach was most appropriate here.

Turning to subject's valuation, Respondent provided two (2) groups of sales. The first sales group was comprised of three (3) properties improved with manufactured homes, though none were Boise Cascade pre-built models. Sale No. 1 concerned a 1,160

square foot manufactured home constructed in 1992 and situated on a 1.0 acre parcel. This property sold in March 2021 for \$160,000. Sale No. 2 was the May 2021 purchase of a 1,650 square foot 1985-edition manufactured home on a .96 acre lot for \$260,850. Sale No. 3 was a 1.0 acre parcel improved with a 1,742 square foot manufactured home constructed in 1991 with a 590 square foot attached garage. This property sold in March 2021 for \$225,000. Respondent pointed out if the sale lots were adjusted to match subject's size, the respective sale prices would be higher, indicating an even higher value for subject.

Respondent's second sales group likewise included three (3) recent 2021 sales; however, the sale residences were stick-built structures. The first sale was a .50 acre parcel improved with a 1,200 square foot residence constructed in 1960, as well as an attached 420 square foot garage. This property sold in late December for \$233,500. Sale No. 2 concerned a 1,408 square foot residence from 1948 situated on a .50 acre lot. This property, which sold in October for \$228,000, also included a 394 square foot detached garage. Respondent's third sale property, which had no garage and sold for \$225,000 in late December, was a 2.50 acre parcel improved with a 932 square foot residence constructed in 1950. Respondent highlighted the price similarities between the manufactured home sales and the sale properties with stick-built residences and commented the highly active local market recognized little difference between the two (2) residence types. With subject's assessed value being lower than five (5) of the six (6) sale prices, Respondent argued the valuation was reasonable and should remain undisturbed.

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 estimating the value of real property 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). Residential property is commonly valued using the sales comparison approach, which approach in simplistic terms compares multiple recent sales of comparable properties to the subject property and makes appraisal adjustments for noted differences in property characteristics.

The fundamental issue presented in this appeal concerns the proper valuation approach by which to determine subject's market value. As subject is currently used as a rental property, Appellant argued the income approach was most appropriate. Respondent, on the other hand, contended the sales comparison approach was the most reliable methodology to value a single-family residence like subject. For multiple reasons,

the Board found the sales comparison approach produced the best indication of value in this instance.

First, and most importantly, there is simply no income data from the marketplace in the record concerning single-family residential properties from which an income approach model could be developed. Respondent does not collect income data on single-family residential rental properties, because such properties are typically owner-occupied, not used as rentals. Without income data from the marketplace, it is impossible to produce a reliable value estimate using the income approach. Appellant would prefer to use subject's current rental rate of \$700 per month, but even Appellant acknowledged the rate was below market levels. Further, using subject's actual rental rate would be in contravention of the requirement that, ". . . using the income approach to determine the market value for assessment purposes of income producing properties must use market rent, not contract rent." See IDAPA 35.01.03.217.03. Simply stated, the income approach is wholly inappropriate to use under these circumstances, where the only income data is subject's below-market lease rate.

Respondent offered a total of six (6) recent sales in support of subject's current valuation, though did not directly compare the sale properties to subject and make adjustments for differences in property characteristics as would be common in a traditional sales comparison approach analysis. That being said, the sale properties were found to be generally similar to subject, although five (5) of the sale lots were at least an acre smaller than subject's lot. On an overall basis, the sale prices indicated a somewhat wide range of value, from approximately \$160,000 to \$260,000; however, after removing the highest and lowest sale prices, the range tightens significantly, from roughly \$225,000

to \$233,000. Such a narrow range suggests a high degree of similarity between the sale properties, which serves to further strengthen the value conclusion Respondent reached for subject. The Board was strained to find support for a value reduction given that subject's current assessed value of \$193,548 is well below every sale price in the record except one (1).

Appellant also petitioned for an adjustment to subject's land value because, in Appellant's estimation, roughly one-half ($\frac{1}{2}$) the lot is comprised of sand and is effectively unusable. Appellant contended the sandy portion of the parcel should be assessed as dry grazing land or waste. The Board disagrees. That a portion of a parcel is comprised of a difficult soil type does not necessarily render the land useless or waste. There are many uses to which such land could be put, so it would be a stretch to conclude the land is worthless. In any event, there is nothing in the record to suggest the subject property qualifies for the special valuation treatment afforded under Idaho Code § 63-604 for land actively devoted to agriculture. Not only is the subject property not being used for grazing livestock, but the parcel is only two (2) acres in size, which means an application for the "exemption" must have been filed by April 15, 2022, to qualify for the 2022 assessment year. Appellant filed no application, so by a matter of law, subject is ineligible for a valuation as land actively devoted to agriculture.

As the party bringing forth this appeal, Appellant bears the burden of establishing subject's valuation is erroneous by a preponderance of the evidence. Idaho Code § 63-511. Given the record in this matter, the Board did not find the burden of proof satisfied. Due to the various shortcomings with Appellant's income approach, the Board found

Respondent's sales-based valuation methodology produced the more credible value estimate for subject, so will not alter the current valuation.

For the reasons above, the decision of the Bingham County Board of Equalization is affirmed.

FINAL ORDER

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

DATED this 8th day of February, 2022.