

BEFORE THE IDAHO BOARD OF TAX APPEALS

SARAH ZABEL,)	
)	
Appellant,)	APPEAL NO. 22-A-1016
)	
v.)	FINAL DECISION AND ORDER
)	
BONNER COUNTY,)	
)	
Respondent.)	
)	
_____)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Bonner County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. RP0004400A0280A. The appeal concerns the 2022 tax year.

This matter came on for hearing September 21, 2022, in Sandpoint, Idaho, before Hearing Officer Travis VanLith. Appellant Sarah Zabel was self-represented. 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 affirmed.

FINDINGS OF FACT

The assessed land value is \$234,880, and the improvements' value is \$880,872, totaling \$1,115,752. Appellant agrees with the land value, however, contends the correct value of the improvements is \$678,822, for a total valuation of \$913,702.

The subject property is a .262 acre parcel located near Bayview, Idaho, in the Cape Horn Estates subdivision in an isolated corner of southwestern Bonner County. The

steeply sloped subject parcel includes 127 waterfront feet along the western shores of Lake Pend Oreille. The property is improved with a multi-level residence and attached garage perched approximately 140 feet above the lake's high-water mark, with no access to the water from the homesite. Constructed in 2020, the subject residence totals 2,541 square feet in size, of which 2,219 square feet are finished.

Appellant first detailed the subject property's recent valuation history. Subject's initial 2021 assessment notice reflected a land value roughly triple the prior year's valuation. Similar increases were experienced throughout the waterfront neighborhood, which prompted a number of appeals to the Bonner County Board of Equalization (BOE). The BOE resolved to reduce waterfront land values in the subdivision by 25%, plus applied an additional 10% downward adjustment for subject's lack of lake access. Many owners, including Appellant, then pursued appeals to this Board (BTA). The BTA modified the BOE's decision by further reducing subject's valuation to \$737,711, with \$502,831 attributable to the improvements and \$234,880 to the land, which value included a 25% adjustment for the absence of lakefront access.

Subject's initial 2022 assessment notice reflected a land value of \$315,618 and a value of \$880,872 for the improvements. Following an inquiry by Appellant, a corrected assessment notice was issued to align the land valuation with the \$234,880 land value ordered by the BTA for 2021. As Appellant still disagreed with the notably higher valuation of subject's improvements, an appeal was filed with the BOE, which ultimately upheld the values reflected on the corrected assessment notice.

Appellant explained the increase in value of subject's improvements was the result of a 75% trend factor applied to all improvements throughout the subdivision, including

non-waterfront parcels. Appellant questioned the accuracy of the 75% figure, particularly in light of the BTA rejecting a similar position advanced by Respondent in last year's appeal. Appellant further stressed none of the 2021 sales from the neighborhood had been reported to Respondent at the time the aggressive trend factor was developed. In Appellant's view, the 75% trend factor lacked marketplace support and should be abandoned.

In advocating for an alternative trend factor, Appellant offered assessment information on three (3) Bayview properties located in Kootenai County which sold in 2019 and 2020. Appellant calculated a 35% increase in the residential improvement values in Bayview for 2022 and waterfront land values were doubled. Appellant regarded the 35% trend factor for the improvements as a more accurate reflection of the local market than Respondent's 75% factor and petitioned the Board to adopt the same view.

Respondent explained Bayview properties on both sides of the county line are generally similar and compete in the marketplace for the same buyers; however, waterfront lots on the Bonner County side generally tend to be steeper, and the lake more difficult to access than many parcels on the Kootenai County side. As such, Bayview land values in Bonner County are typically lower than in Kootenai County, which reflects the difficulty of developing access to the lake. So, while properties with developed waterfront access on both sides of county line are roughly similar in total value, the lower land values in Bonner County necessarily means more value attributable to the improvements. Respondent argued using the same 35% trend factor for improvements as was done in Kootenai County would be inappropriate to determine 2022 improvements values in Bonner County because the respective land and improvement values started from

different levels and therefore required different trends to reach current market value. Respondent maintained the 75% trend factor was appropriate based on the available sales information and pointed out land values in the subdivision were slightly reduced, whereas Kootenai County doubled land values in addition to trending improvement values upward by 35%.

Appellant also questioned the Local Cost Modifier (LCM) factor Respondent applied to subject's neighborhood. It was explained Respondent relies on Marshall & Swift cost tables from 2006 and updates those tables each year based on local sales activity. Appellant contended the 240 LCM factor used by Respondent was too high. According to the most recent New Single-Family Houses Under Construction Price Index published by the U.S. Census Bureau, new construction prices have increased roughly 35% since 2006, which equates to an LCM of 185. Respondent's LCM of 240 represents an approximate 75% increase for which there was insufficient support in Appellant's view given that Respondent had no 2021 sales from the neighborhood from which to derive the LCM used to determine 2022 values.

Lastly, Appellant argued subject's current valuation, which represents an increase from the value ordered by the BTA, violated Idaho Code § 63-3813. The statute generally provides a market value change ordered by the BTA shall not be increased the subsequent assessment year unless done through market trending or equalization applied to all properties in a particular property class throughout the county or a clearly defined neighborhood. Appellant acknowledged the 75% trend factor the assessor's office applied to improvements in subject's neighborhood was permissible, however, argued the trend was destroyed by the BOE's decision to further increase improvement values on

three (3) properties from the subdivision whose owners' filed appeals with the BOE. Because the BOE only changed values on three (3) of the properties and not the entire property class or neighborhood, Appellant reasoned the BOE essentially abandoned the 75% trend for all properties in the area and therefore subject's assessed value should revert to the 2021 valuation ordered by the BTA.

In support of subject's current valuation, Respondent developed a sales comparison model using four (4) sales from the Bayview area. Sale No. 1 involved a property located in Kootenai County which sold in August 2021 for \$1,199,000. The sale lot enjoys 146 front feet on the lake and is improved with a 3,678 square foot residence with an effective age of thirty-four (34) years. Sale No. 2 concerned a 1,776 square foot residence in subject's subdivision with an effective age of thirty-seven (37) years. This sale property, with 118 feet of shoreline, sold for \$790,000 in October 2021. Sale No. 3 was an October 2020 sale from subject's subdivision for \$1,100,000. This sale property included a 1,936 square foot residence with an effective age of sixteen (16) years situated on a parcel with 64 waterfront feet. Lastly, Sale No. 4 concerned a lot in subject's subdivision with 57.2 front feet on the lake. This property was improved with a 1,452 square foot residence with an effective age of twenty-nine (29) years. This property sold in August 2022 for \$1,200,000.

Each sale property was directly compared to subject, and the respective sale prices were adjusted for differences in property characteristics such as shoreline length, construction quality, effective age, gross living area, garage size, and other improvements. The analysis determined adjusted sale prices of \$1,173,149, \$1,186,489, \$1,556,018, and \$1,477,705, respectively. Based on the range indicated by the adjusted

sale prices, Respondent argued subject's current valuation of \$1,115,752 was reasonable and possibly somewhat low.

Appellant disagreed with the comparability of Respondent's sale properties, as well as other aspects of the general analysis. First, Appellant emphasized each of Respondent's sale properties have access to the lake, whereas subject does not. The primary concern with Sale No. 1 was Respondent's treatment of the detached garage and other improvements situated on the property. Respondent made a nearly \$22,000 adjustment for the other improvements; however, Appellant highlighted those same improvements were assessed for approximately \$80,000 by the Kootenai County Assessor. Had the higher value figure been used, Appellant noted the adjusted price would have been lower.

While Sale No. 2 was located in subject's subdivision and lacks lake access like the subject property, Appellant reported the transaction included a boat slip. More specifically, the sale price included a one-thirtieth (1/30th) share of a nearby marina in Kootenai County. In an effort to gauge the value of a boat slip, Appellant provided a June 2022 sale listing for a private boat slip in a Bayview marina with an asking price of \$175,000, though it was unclear if it was located in same marina as Sale No. 2. Respondent was unaware the sale included a private boat slip so did not include an adjustment in its analysis for the additional amenity. Appellant regarded this as a notable error in Respondent's analysis which contributed to an inflated adjusted sale price and higher value indication for the subject property.

Appellant identified several concerns with Sale No. 3 from subject's subdivision. First, the sale transpired in October 2020 for which Respondent applied an upward 2%

per month time adjustment, or a whole dollar amount of \$264,000. Appellant agreed prices have appreciated since the sale occurred, but in Appellant's opinion, the 2% per month time adjustment factor was overly aggressive. Appellant also questioned the value Respondent assigned to the improvements of Sale No. 3. Appellant stressed that prior to sale the residence had been completely renovated, including a new roof and mechanical systems, plus many other upgrades. The renovation additionally included the construction of a detached three (3) car garage with approximately 1,000 square feet of air-conditioned shop space in the upper level. Despite the thoroughness of the renovation, Respondent assigned an effective age of sixteen (16) years and an "average" condition rating, which Appellant argued was erroneous and had the effect of undervaluing the improvements, and thus the correspondent adjustments in Respondent's comparative analysis. In Appellant's view, the various issues demonstrated a weakness in Respondent's valuation model, thus rendering subject's valuation unreliable.

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.

The central issue in this appeal is whether subject's current assessed value, which represents an increase in the valuation ordered by the BTA last year, violates Idaho Code § 63-3813. As this is a straight-forward issue, there is no need to address the various other arguments advanced by the parties.

Idaho Code § 63-3813 reads in relevant part,

A final decision or order of the board of tax appeals directing a market value change for taxable property that is not further appealed 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

Generally, the statute prohibits a value ordered by the BTA from being increased the subsequent assessment year, subject to a couple exceptions. The first is when a physical change occurs to the property, such as construction of an outbuilding or remodeling the residence. The second exception is when the value is increased through trending or equalization. There were no physical changes to the subject property during 2021, so the only permissible increase in the valuation must be the result of either market trending or equalization.

In this case, the increase in the value of subject's improvements was the result of a 75% trend factor Respondent applied in an effort to reflect current market levels. This same trend factor was applied uniformly throughout subject's subdivision for the waterfront properties, as well as the interior parcels. This is precisely the type of "annual trending . . . applied to all properties of a property class or category within the county or clearly defined area" contemplated by the statute. The Board found no evidence Respondent applied the 75% trend factor inconsistently or otherwise in contravention of the provisions of Idaho Code § 63-3813.

Appellant argued the trend was abandoned when the BOE further increased the improvement values on just three (3) properties in the subdivision above the 75% factor applied by the assessor's office. While the Board understands Appellant's argument, we disagree with the conclusion the BOE's decisions for those three (3) properties destroyed

the trend for the entire subdivision. The 2022 value of subject's improvements, as well as improvement values throughout the subdivision, were determined using a uniformly applied 75% market trend factor. Whether the trend was effectively abandoned with respect to the three (3) properties in which the BOE further increased improvement values is a different question and outside the scope of this appeal because the BOE did not alter the value of subject's improvements. As the statute allows for a value increase through the use of a trend applied to a class of property within a clearly defined area, and where Respondent's 75% trend factor was so applied, the Board finds no conflict with the statute nor error in Respondent's application of the trend.

In addition to the issue of whether the trend factor was disrupted by the BOE, Appellant also questioned the 75% trend factor itself. While Appellant identified several concerns with aspects of Respondent's sales comparison model and development of the 75% trend factor, the Board did not find where the alternative valuation methodologies advanced by Appellant produced a more credible estimate of subject's current market value. This is particularly true where the methodologies, in some form or another, included a reliance on assessed values of other properties, which is not consistent with recognized appraisal practice.

It would likewise be inappropriate to blindly rely on trend factors applied by another county, such as the 35% trend factor Kootenai County applied to improvements in the Bayview area. This is particularly the case when, such as here, there are no details concerning the data used to develop that trend factor nor any information about the methodology used to calculate it. For instance, it is unknown when Kootenai County last reappraised Bayview properties, meaning current values could be the result of several

years of market-based trending. For many reasons, the accuracy of trending decreases with each passing year, which is why Idaho requires each taxable property in the county be physically inspected and reappraised at least once every five (5) years. Furthermore, it was not lost on the Board that Kootenai County not only increased residential improvement values by 35%, but also doubled land values. It was curious to the Board that Appellant accepted Kootenai County's 35% trend factor on the improvements as accurate, but not also the 100% trend applied to land values. In any event, the Board was unpersuaded by Appellant's alternative valuation approaches.

Idaho Code § 63-511 places the burden on 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. The valuation of subject's improvements was increased through a uniformly applied trend factor, which is one (1) of the permissible methods by which a value ordered by the BTA may be increased the subsequent assessment year. And where the Board did not find sufficient support for a different trend factor, there is no good cause to disturb subject's current valuation.

Based on the above, the decision of the Bonner County Board of Equalization is affirmed.

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, AFFIRMED.

DATED this 13th day of January, 2023.