

BEFORE THE IDAHO BOARD OF TAX APPEALS

AGUILAR TRUST,)	
)	
Appellant,)	APPEAL NO. 22-A-1079
)	
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. RP00123002037BA. The appeal concerns the 2022 tax year.

This matter came on for telephonic (Zoom) hearing November 30, 2022, before Board Member Leland Heinrich. Trustees Laurie Williams and Gary Williams appeared at hearing for Appellant. Bonner County Assessor Donna Gow 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 rural residential property.

The decision of the Bonner County Board of Equalization is modified.

FINDINGS OF FACT

The assessed land value is \$796,800, and the improvements' value is \$278,625, totaling \$1,075,425. Appellant contends the correct total value is \$846,338.

The subject property is a .24 acre parcel located in the Evergreen Lots subdivision in Sagle, Idaho. The property has 150 waterfront feet along the south side of the Pend

Oreille River and is improved with a single-story 1,330 square foot residence with an effective year of 1974. The property is further improved with an 80 square foot shed, a 192 square foot shed, and a 48 square foot dock with a boat slip, boat lift, and jet ski lift.

Appellant described some detrimental conditions of subject argued to be insufficiently considered in subject's assessment. First, Appellant contends there is no additional room on the parcel for building additions or further improvements. The space between the residence and the shed consists of a septic system, and there is a leach field behind the residence. Appellant claimed subject cannot be assessed comparably to a property with multiple acres of land that allow a property owner more building and improvement options. Appellant additionally shared there is a twelve (12) degree slope of the land down to the waterfront which would further decrease buildability. Appellant opined subject's small size, sloping, and setback requirements notably restrict the utility of the parcel, and thus the market value.

Appellant shared concern there was only one (1) sale in subject's neighborhood in 2021 and expressed a belief the value increases in the neighborhood were based mostly on this sale and few others. The single sale property involved a 15.4 acre parcel improved with a 2,569 square foot residence in very good condition which had an effective year built of 1996. The property was additionally improved with a garage, a shop, and a dock. The waterfront footage was not entirely clear on the record. Two (2) different figures were stated: one (1) from Respondent's comparison sheet expressing the sale property had 405 front feet; and one (1) from the sale property's ProVal record which reflects the sale property has 550 total waterfront feet, with 375 feet on the Pend Oreille River and an additional 175 feet on the safe harbor inlet. Appellant asserted this sale is not sufficient

evidence to raise values of properties like subject which are significantly smaller and have significantly less waterfrontage.

Appellant next provided information regarding the sales Respondent presented at the board of equalization hearing, contending the sale properties are not sufficiently comparable to demonstrate subject is assessed accurately and equitably. The first analysis was utilized to support the full subject assessment. Sale No. 1 was the above-mentioned sale in subject's neighborhood which sold for \$2,600,000 in September 2021. The property was .99 miles distant from subject, was 15.4 acres in size and had 405 waterfront feet. The residence was 2,569 square feet, had a very good quality rating, was in average condition, and had an effective year of 1996. The residence was also improved with a garage of undisclosed size. Respondent adjusted for land value, quality, effective year, square footage, garage area, and other improvements, totaling 47% in net adjustments. Respondent reported an adjusted sale price of \$1,376,930.

Sale No. 2 was .68 miles from subject and sold for \$2,000,000 in July 2021. The property was 2.65 acres in size and had 200 waterfront feet. The residence was 4,563 square feet, had a very good quality rating, was in average condition, and had an effective year of 2005. The residence had an attached garage, though the size was not clear. The adjusted sale price was \$882,446, which reflected 55.9% in net adjustments.

Sale No. 3 was 7.59 miles from subject and sold for \$588,000 in May 2021. The property was 6.69 acres in size and had 242 waterfront feet. The residence had 1,534 finished square feet, had a fair+ quality rating, was in average condition, and had an effective year of 1990. After 69.6% in net adjustments, the adjusted sale price was \$998,745. In comparison, subject is a .24 acre parcel with 150 waterfront feet; its

residence is 1,330 square feet, has a fair quality rating, is in average condition, and has an effective year of 1974. Its 2022 assessment totals \$1,075,425.

Appellant expressed various concerns with Respondent's analysis. Most of the concerns centered on the nature of assessments as subjective. Appellant stated all adjustments are subjective including those for land quality, construction quality, condition, and the value of other improvements. Appellant shared the sales were very different from subject. Sale No. 2 was described on its listing as a "private waterfront oasis" with "pristine park like (sic) grounds." Sale No. 3 was shared to be mostly "underwater" with a 10% adjustment for swampy waterfront, has a river channel, and has a "private and protected beach area." Appellant additionally expressed concern with the high adjustment of almost 70% for this sale. Overall, Appellant contended none of the sales Respondent referenced justify subject's assessed value.

Appellant next provided a second analysis of Respondent's, this one provided to support subject's land valuation. Sale No. 1 was located 8.11 miles from subject and sold for \$490,000 in August 2021. The property had 100 waterfront feet and a fair land grade. Respondent adjusted for location, front footage, and land grade, totaling 73.33% in net adjustments. The adjusted land sale price was \$849,350, or roughly \$5,662 per front foot for 150 front feet.

Sale No. 2 was located .68 miles from subject and sold for \$2,000,000 in July 2021. The property had 200 waterfront feet and an average land grade. Respondent extracted the site improvement value, the residence value, and the value of other improvements, then made adjustments, totaling 18.35% in net adjustments. The adjusted land price was \$779,556, or roughly \$5,179 per front foot for 150 front feet.

Sale No. 3 was located 3.02 miles from subject and sold for \$850,000 in June 2021. The property had 133.40 waterfront feet and an average land grade. Respondent again extracted the value of improvements and adjusted for differences, which net adjustments equaled 14.5%. The adjusted land price was \$925,810, or roughly \$6,172 per front foot for 150 front feet. In comparison, subject has 150 front feet and an average land grade. Subject's land assessment, minus the site improvements' value, totals \$783,800, or roughly \$5,225 per front foot.

Appellant expressed concern Respondent did not share acreages of the properties in this analysis, though Appellant shared Sale No. 1 was one (1) acre in size, Sale No. 2 was 2.65 acres, and Sale No. 3 was 1.23 acres. Appellant also noted various differences Sale No. 3 had from subject: the property had level land and what was described as "prime water frontage," had public sewer and water, was in a neighborhood with an HOA, and was along a paved road. Appellant characterized the sale property as "very flat" compared to one-half ($\frac{1}{2}$) of subject which has a twelve (12) degree slope to the water. Appellant also noted subject's shoreline has riprap consuming the shoreline for preservation, a factor which the sale property does not experience or need. Appellant lastly reiterated all adjustments, and therefore all valuations, are subjective.

Appellant next discussed some general concerns with the way land with waterfrontage is valued in the county. Appellant noted parcels are assessed based on land grades, which Respondent shared have no specific definitions and are assigned based on sales. One of Appellant's primary concerns was that acreage has no effect on a property's value if it has waterfrontage, which Appellant claimed puts inequitable tax burdens on taxpayers who own waterfront property with little acreage. Appellant asserted

if two (2) properties with the same frontage were on the market in the same neighborhood, but one had more acreage, no informed buyer would pay the same amount for the smaller lot as the larger lot. Therefore, the lots should not be assessed the same either. Overall, Appellant stated assessing waterfrontage and not acreage leaves no ability to equitably account for unique property characteristics.

Appellant next shared assessments of three (3) nearby properties. All had 170 waterfront feet, average land grades, and land values of \$846,000. The properties were 1.67, 1.64, and 1.65 acres in size. Where subject's land is assessed at \$796,800 for .24 acres with 150 waterfront feet, Appellant stated these neighborhood assessments demonstrate inequity and are erroneous, in Appellant's view, lack of consideration for much smaller acreage.

Appellant acknowledged sale prices have increased recently, but asserted the waterfrontage rate increase for the subject neighborhood's average parcels was excessive compared to other areas. Appellant further opined the lack of waterfront sales with less than one (1) acre skewed subject's assessment as well as those of other similarly small parcels in subject's neighborhood. Appellant requested the Board lower subject's 2022 land assessment to the 2021 value plus a 39.7% increase. This would result in the land having an assessment of \$567,775, for a total 2022 assessment of \$846,400. Appellant asserted this reduction request was based on analysis of Respondent's comparable sales, the excessive waterfront rate increases, and lack of acreage consideration.

Respondent utilized the sales Appellant detailed above to support subject's assessment. Though Respondent did not provide any exhibits, oral testimony was given

regarding two (2) additional sales. Sale No. 4 in the analysis supporting land value was a parcel located .98 miles from subject which sold in March 2021 for \$360,000. The property had 2.62 acres, 108 waterfront feet, and a good land grade. After net adjustments totaling 53.6%, the adjusted sale price was \$776,407, or roughly \$5,176 for 150 front feet. Respondent shared the average adjusted land sale price was \$832,781, or roughly \$5,552 per front foot. In comparison, subject's land assessment, minus site improvement values, is \$783,800, or roughly \$5,225 per front foot.

Sale No. 4 in the analysis supporting subject's total value was a parcel located 10.7 miles from subject which sold for \$760,000 in June 2021. The property had 100 waterfront feet, was .98 acres in size, and was improved with a 2,163 square foot residence of fair+ quality with an effective year of 1991. After net adjustments of 34.8%, the adjusted sale price was \$1,044,703. Respondent shared the average adjusted sale price was \$1,070,706, which is just under subject's assessment of \$1,075,425.

Respondent stated it has found in the past that waterfront footage drives sales "much more than" acreage, and so all waterfront in the county is valued according to water frontage instead of acreage. Respondent acknowledged Appellant's concerns that the comparable sale properties had some dissimilarities with subject, but Respondent can only work with sales that occur and that are disclosed to the assessor. Respondent also shared parcels which are "significantly different or subdivided" can receive adjustments and provided examples of significantly large or oddly shaped parcels. Respondent asserted subject and other small parcels have "similar building pockets" as other properties in the neighborhood, so do not receive adjustments.

Respondent next shared the average increase in residential value in Bonner County for 2021 was roughly 60%. Because of this, Respondent asserted the 39.7% increase in land value from 2021 Appellant is requesting would not be equitable.

Respondent lastly spoke to Appellant's concern that assessment is "subjective." Respondent shared the definition of an assessment is an opinion of value, so asserted all assessments are inherently subjective.

CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of market value in fee simple interest or, as applicable, a property's exempt status. This Board, giving full opportunity for all arguments and having considered all the testimony and documentary evidence submitted by the parties, 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. Idaho Code § 63-201 provides the following definition,

"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. *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 the differences in property characteristics between the subject and the sale properties.

Appellant did not provide any sales to support a reduction in subject's value. Appellant supplied information on six (6) sales which Respondent presented at the board of equalization hearing, and focused on debunking the sales and analyses as valid proof of subject's assessed value. The Board agreed Respondent's sales were ultimately not compelling. Four (4) of the sales required net adjustments over 20%, which demonstrate notable dissimilarity with subject. The highest net adjustment utilized was approximately 73% for Sale No. 1 in Respondent's second analysis. The two sales with the lowest adjustments were also in Respondent's second analysis, which was meant to support subject's land value, but had markedly different valuation conclusions. Sale No. 2 had 18.35% in net adjustments and an adjusted sale price of \$779,556, or roughly \$5,179 per front foot. Sale No. 3 had 14.5% in net adjustment and an adjusted sale price of \$925,810, or roughly \$6,172 per front foot. These two (2) sales also represent the highest and lowest value indications in the analysis. The Board found it difficult to correlate the sales with subject's assessed land value of \$783,800, or roughly \$5,225 per front foot.

Respondent's first analysis, utilized to support subject's full assessed value, was similarly concerning to the Board. First, net adjustments totaled roughly 35% to roughly 70%, demonstrating to the Board all four (4) sales were notably dissimilar to subject. The adjusted sale prices ranged from \$882,446 to \$1,376,930, which do bracket subject's assessment of \$1,075,425, but there were too many questions regarding the sale properties' comparability to subject for the Board to comfortably afford much weight to Respondent's analysis.

Appellant additionally discussed features of subject which were believed to not be sufficiently considered in subject's assessment. Primarily, subject is significantly smaller than many other parcels in the neighborhood, at .24 acres, and subject has no ability to be further improved. Appellant additionally shared there is a twelve (12) degree slope to the waterfront which is comprised of riprap to deter further erosion. Overall, Appellant asserted subject's size, slope, and setback requirements restrict the utility of the parcel and lower its market value.

Appellant expressed general concern regarding the way properties with waterfrontage are assessed in Bonner County, claiming the methodology utilized by Respondent focuses solely on frontage amount and does not leave room to consider unique property characteristics. Respondent provided examples of characteristics it might adjust for, which curiously included a large parcel, but Respondent claimed there is no need to adjust a smaller parcel because it will have a "similar building pocket." This claim is despite Appellant's testimony subject's building pocket is already taken up by the 1,330 square foot residence, two (2) sheds, and the septic and leach field. In contrast, the comparable sales provided by Respondent had residences from between 1,534 and 4,563 square feet. The Board does not see subject's building pocket as similar to most of the sale properties'.

While the Board understands it is a widely accepted method of appraisal to set a valuation model based strictly upon front footage with some changes made for other characteristics, the small acreage of subject does appear to limit further improvements or construction on the property. And where Respondent unfortunately did not provide any small lot sales and applied rather large adjustments to match subject's characteristics, it

is difficult to see how the market may discount value for the inability to expand the improvements on the property. In the Board's experience, however, inability to enlarge the area of construction based upon terrain or acreage has a negative effect on value, somewhat similar to an easement. Thus, the Board would allow a 10% reduction in land assessed value and set a new land value of \$717,120.

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 found the burden of proof met, but not to the extent to lower the value to that requested by Appellant. The Board will lower the land value by 10% to account for the limited utility caused by subject's small acreage. The decision of the Bonner County Board of Equalization is modified accordingly.

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, MODIFIED, to reflect a new value of \$995,745, with \$717,120 attributable to the land and \$278,625 to the improvements.

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 Appellants.

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 19th day of April, 2023.