

BEFORE THE IDAHO BOARD OF TAX APPEALS

CRAMER TRUST,)	
)	
Appellant,)	APPEAL NO. 22-A-1057
)	
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. RP00123002035AA. The appeal concerns the 2022 tax year.

This matter came on for hearing November 17, 2022, in Sandpoint, Idaho, before Board Member Kenneth Nuhn. Trustees Jennifer and Richard Cramer appeared at hearing for Appellant. Bonner County Chief Deputy Assessor Dina Brown represented Respondent.

Board Members 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 affirmed.

FINDINGS OF FACT

The assessed land value is \$654,000, and the improvements' value is \$612,250, totaling \$1,266,250. Appellant does not dispute the improvements' value but contends the correct land value is \$334,750, totaling \$947,000.

The subject property is a .17 acre parcel located in the Evergreen Lots subdivision in Sagle, Idaho. The property has 100 waterfront feet along the south side of the Pend Oreille River and is improved with a 3,555 square foot residence with an effective build year of 1999. The property is further improved with a boat dock, boat slip, jet ski lift, and utility shed. The size of the dock and utility shed were not clear on the record.

Appellant expressed concern subject's 2022 assessment was 70% higher than its 2021 assessment. The value of the improvements increased 49%, but Appellant does not dispute this component of subject's assessment. Of most concern to Appellant was the land assessment increase of 95%. Appellant's land value request is equal to subject's 2021 land assessment.

Appellant discussed multiple pieces of evidence argued to demonstrate subject's land is overvalued. First, Appellant stated one (1) sale is insufficient to adjust waterfront values throughout a neighborhood. Appellant shared 2021 decisions by the Board of Tax Appeals (BTA) regarding two (2) parcels in the Cape Horn Estates subdivision whose assessments were modified because their market increases were based on a single sale in the neighborhood.

According to Appellant, the assessor's office reported assessments in subject's neighborhood were increased 83% based on one (1) 2021 sale. The sale property was located approximately .95 miles from subject and involved a 15.4 acre parcel improved with a 2,569 square foot residence which had an effective build date of 1996 and was in very good condition. The property was additionally improved with a garage, a shop, and a dock. The waterfront footage was not entirely clear on the record. Appellant provided two (2) different figures: 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. The sale property's 2022 land value is \$1,332,255.

Appellant next claimed sales in nearby neighborhoods indicated subject's assessment is excessive. In support of this, Appellant provided information on three (3) vacant land sales. The sale properties' proximity to subject were not clear on the record, though only one (1) was in subject's same city. Appellant asserted using land-only sales "presents a clearer comparison than a property with improvements," as only subject's land value is disputed.

Sale No. 1 was in Sagle, Idaho, like subject, on the south side of the Pend Oreille River. The property was a 1.23 acre level parcel with 133 waterfront feet of an average quality rating. Appellant noted the property had approximately 33% more waterfront and was roughly seven (7) times larger than subject. This property sold for \$850,000 in June 2021. Appellant shared the 2022 land assessment is \$670,573, or roughly \$5,042 per front foot.

Sale No. 2 was in Priest River, Idaho, on the south side of the river. The property was a 1.32 acre level parcel with 131 waterfront feet rated as average. Appellant noted the property had roughly 31% more waterfront and was roughly eight (8) times larger than subject. Appellant further noted the property was within a gated neighborhood with a private marina. This property sold three (3) separate times in 2021: in January for \$465,000, in April for \$649,000, and in June for \$719,500. The 2022 land assessed value is \$663,588, or roughly \$5,066 per front foot.

Sale No. 3 was in Laclede, Idaho, on the north side of the river. The property was a 2.21 acre level parcel with 390 waterfront feet with a good rating. Appellant noted the property had roughly 400% more waterfront and was roughly thirteen (13) times larger than subject. Appellant further noted the property had access to power, telephone, sewer, and a community well. The property sold for \$490,000 in January 2021. The 2022 land assessed value is \$490,721, or roughly \$1,258 per front foot.

In comparison, subject's land, minus the site improvement value, is assessed at \$641,000, or roughly \$6,410 per front foot. Subject's water frontage is categorized as average, and Appellant noted there is a 12% slope to the water, which makes the backyard unusable for structures. Appellant also shared thousands of dollars were spent to terrace the yard and riprap the waterfront to prevent erosion. Appellant expressed concern all three (3) sale properties were larger, more level parcels with more water frontage, but subject has the highest assessment rate per front foot.

Appellant next claimed the assessor-provided footage rates demonstrate subject's neighborhood is "excessively assessed" when compared to other neighborhoods. Appellant provided assessment rates for six (6) neighborhoods along the Pend Oreille River, including subject's. Five (5) of the neighborhoods were on the south side of the river like subject, and one (1) was on the north.

Because subject is rated as "73 average" and is within the seventy-five (75) to one hundred (100) front foot range, Appellant's analysis focused on the frontage rates for parcels with these same characteristics. Appellant shared subject's neighborhood rate for this category and size range was \$5,000 per front foot compared to the other neighborhoods which ranged from \$2,245 to \$4,500 per front foot, or a median of \$3,277

per front foot. Appellant used this median rate to calculate a value of \$443,938 for subject's land. Appellant additionally expressed concern some of the neighborhoods had waterfrontage rates for properties rated as good that were lower than the subject neighborhood's average frontage rates. Appellant also noted average and good condition properties in subject's neighborhood with fifty (50) to one hundred (100) waterfront feet have the same footage rate.

Appellant opined subject is overvalued because its comparatively small lot size is not properly considered in its assessment. Appellant argued subject is given an undue property tax burden because the assessment of waterfront property does not consider lot size; therefore, subject could conceivably have the same tax burden as a much larger lot with one hundred (100) waterfront feet. Appellant stated larger lots should be assessed higher because they have more space for buildings and septic systems, are not as constrained by setbacks, and have more privacy, among other benefits.

To support a reduction in value due to acreage, Appellant provided assessment information on three (3) properties where Respondent adjusted land values to account for lot size, shape, and/or topography. Property A was a 16.96 acre parcel with one hundred (100) waterfront feet. This parcel received an upward adjustment of \$64,000 for the unique layout of the lot. Appellant also expressed concern this property's land assessment was approximately \$2,000 lower than subject's. Respondent explained the seemingly low value was because the property has a timber exemption. Property B was a 2.21 acre parcel with 390.4 waterfront feet. Appellant stated this parcel's assessment was adjusted downward by 40% for its shape and size. Property C was a .48 acre parcel

with fifty (50) waterfront feet. This parcel's assessment was adjusted downward 10% due to its steep waterfront access.

Lastly, Appellant provided 2022 assessment information for six (6) parcels on subject's street. Property Nos. 1 through 4 all had land assessments of \$654,000. Property Nos. 1 and 2 were both .33 acres with 100.3 waterfront feet. Property No. 3 also had 100.3 waterfront feet, but was .34 acres. Property No. 4 was .34 acres with one hundred (100) waterfront feet. Property No. 5 had a land assessment of \$320,500, was .40 acres in size, and had one hundred (100) waterfront feet. Lastly, Property No. 6 had a land assessment of \$660,854, was 1.46 acres in size, and had 102.4 waterfront feet. In comparison, subject has a land assessment of \$654,000, is .17 acres in size, and has 100 waterfront feet.

Respondent provided two (2) sales analyses to support subject's current assessment. The first analysis focused on sales within seven (7) miles of subject to support the assessed value of subject's land. Sale No. 1 was located on the north side of the Pend Oreille River, .69 miles from subject. The property had an average land grade like subject and sold for \$2,000,000 in July 2021. Respondent removed the value of the residence and other improvements to discern the raw land value, which Respondent calculated to be \$658,706, or roughly \$3,294 per front foot for the parcel's 200 front feet. Respondent adjusted all sales for location, front footage, and land grade, resulting in an adjusted value of \$649,956, or approximately \$6,500 per front foot for one hundred (100) front feet on this property. Respondent reported the net adjustments were 1.3%.

Sale No. 2 was located on the south side of the river, 3.04 miles from subject. The property had an average land grade and sold for \$850,000 in June 2021. Respondent

calculated the land value as \$808,666, or roughly \$6,062 per front foot for the parcel's 133.40 front feet. The adjusted value was \$771,210, or roughly \$7,712 for one hundred (100) front feet. Respondent stated net adjustments totaled 4.6%.

Sale No. 3 was an unimproved lot located on the south side of the river, .96 miles from subject. The property had a good land grade and sold for \$360,000 in March 2021, or roughly \$3,307 per front foot for the parcel's 108.86 front feet. The adjusted value was \$697,557, or roughly \$6,976 per front foot for one hundred (100) front feet. Net adjustments for this sale totaled 94%. Where adjusted land sale prices ranged from \$649,956 to \$771,210, and subject's raw land is assessed below this range at \$641,000, Respondent argued subject's assessment is reasonable.

Respondent's second analysis focused on improved sales to support subject's total assessment. It was not made clear which side of the river each sale property was on, but all were within eleven (11) miles of subject. Sale No. 1 was .96 miles from subject and had 405 waterfront feet. This property sold for \$2,600,000 in September 2021. Respondent extracted the improvements' value and calculated a rate of roughly \$467 per square foot for the 2,569 square foot residence with a garage which was in very good condition and had an effective build year of 1996. Respondent removed the land value and adjusted for land quality, effective year, living area, garage size, and other improvements and reported an adjusted value of \$1,689,196, which reflected net adjustments of 35%.

Sale No. 2 was 10.6 miles from subject and had one hundred (100) waterfront feet. This property sold for \$760,000 in June 2021. The extracted improvement sale rate was roughly \$135 per square foot for the 2,163 square foot residence in average condition

with an effective build year of 1991. The property was further improved with a garage. The adjusted value was \$1,201,410, which reflected net adjustments of 58%.

Sale No. 3 was 7.6 miles from subject and had 242 waterfront feet. The property sold for \$588,000 in May 2021. Respondent extracted the improvements' value and calculated a rate of roughly \$116 per square foot for the residence with 1,534 finished square feet in average condition with an effective build year of 1990. The adjusted value was \$1,150,849 after net adjustments of 96%.

In comparison, subject has 100 waterfront feet and is improved with a 3,555 square foot residence in average condition and an effective build year of 1999. The residence is assessed at roughly \$172 per square foot. The comparable sales had adjusted prices ranging from \$1,150,849 to \$1,689,196, where subject is assessed at \$1,266,250. Because this value falls within the indicated range, Respondent asserted the value is substantiated by the comparable sales.

Appellant expressed various concerns with Respondent's sales analyses. First, Appellant noted none of Respondent's comparable sales were in the same neighborhood as subject. Appellant characterized Respondent's sales as "subjective" and noted they are manually entered into data programs which leaves room for error. Appellant further discussed Sale No. 2 from Respondent's first analysis. According to Appellant, Respondent provided this sale to Appellant multiple times, with different adjustments each time. In June 2022, the original comparison had 17% adjustments; the June 2022 "corrected" comparison had .97% adjustments; and in July 2022, the comparison presented at the board of equalization hearing had 4.6% adjustments, the same as

presented to this Board. This inconsistency raised questions for Appellant regarding the validity of subject's assessment.

Respondent explained the sales analyses presented were not used to set subject's value, so any calculation errors are therefore irrelevant. Respondent stated values are set utilizing ratio study results and mass appraisal techniques. The sales analyses were used by Respondent to help demonstrate the market patterns and changes which support subject's assessment. Respondent also clarified more than one (1) sale was used to determine subject's value. While the neighborhood sale may have indicated valuations were low in subject's neighborhood, Respondent stated they utilized other waterfront sales out of necessity.

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 differences in property characteristics between subject and the sale properties.

Appellant provided sales information, but did not perform a traditional sales comparison analysis where adjustments are made for differences in property characteristics. Another issue was Appellant utilized the assessment rates as a comparison tool, not sale rates. Where Idaho is a market value state, assessments must be based on sales, not other assessments. The assessment rates ranged from approximately \$1,258 to \$5,066 per front foot; however, sale rates ranged from roughly \$1,231 to \$6,391 per front foot. Subject's 2022 land assessment equates to \$6,410 per front foot.

The Board notes, however, that Sale No. 3, which sold for \$1,231 per front foot, was an outlier in Appellant's analysis because it had almost four (4) times as much water frontage as subject, 390 front feet compared to subject's 100 front feet. Economies of scale dictate that the more frontage a property has, the lower the value rate will be per front foot. This is evident in Appellant's other sale properties which more closely approximate subject's frontage. Sale No. 1 had 133 waterfront feet and sold for \$6,391 per front foot, and Sale No. 2 had 131 waterfront feet and its most recent sale had a rate of \$5,492 per front foot. Where subject has less frontage, its higher valuation rate is to be

expected. Based on this, the Board finds no need to further discuss Appellant's other six (6) property assessments.

Appellant's primary concern centered on the misinterpretation that subject's assessment increase was based on only one (1) neighborhood sale from 2021. As Respondent explained, mass appraisal techniques were utilized, and many nearby sales of waterfront property were considered when adjusting waterfront values for 2022. The Board found no evidence of unsound appraisal practice when it came to this claim.

There was similarly insufficient evidence on record for the Board to verify Appellant's claim of unfair waterfront assessment rates throughout different neighborhoods. Little information was shared regarding the neighborhoods apart from which side of the river they were located on. Different frontage rates occurring in different neighborhoods is a natural phenomenon, because no two (2) neighborhoods are identical, even when comparing lots with similar frontage amounts and land grades.

Respondent provided two (2) sales analyses where adjustments were made for differences between subject and the sale properties; however, the Board had several concerns regarding these analyses. First, it was curious to the Board the lack of a time adjustment when market appreciation was cited as the primary cause of subject's upward adjustment for the 2022 assessment. Second, the Board was concerned many of the sales far exceeded subject in waterfrontage, especially Sale No. 1 from the second analysis which had over 400 front feet compared to subject's 100. Appellant also noted this property was 15.41 acres, where subject is only .17 acres. Four (4) of the other sales' acreages were not shared, but Sale No. 2 from Respondent's first analysis was reported by Appellant to be 1.23 acres, also notably larger than subject.

Third, only two (2) sales received adjustments lower than 35%. These sales had adjustments of 1.3% and 4.6%, respectively. Two (2) of Respondent's six (6) sales received adjustments of 94% and 96%, which signal severe dissimilarity. The two (2) sales with low adjustments were the only sales on record the Board viewed as comparable with subject. These were Sale Nos. 1 and 2 from Respondent's first analysis. Sale No. 1 had an adjusted land value of \$649,956, roughly \$6,500 per front foot for one hundred (100) front feet. Sale No. 2 had an adjusted land value of \$771,210, or roughly \$7,712 for one hundred (100) front feet.

Overall, while there were some shortcomings in both analyses, there was too little evidence in the record to suggest subject is overvalued. Appellant's analysis focused on assessments, which is not a valid appraisal method which would accurately estimate subject's market value. Additionally, where subject has one hundred (100) waterfront feet, economies of scale dictate it would have a higher frontage rate than parcels with more waterfront feet. Respondent has testified front footage is a more important feature of waterfront parcels than acreage, and there is no evidence in the record to suggest otherwise.

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 met in this instance. There were many concerns regarding both parties' presentations, but ultimately the Board did not find any compelling evidence to disturb subject's current market value. 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 26th day of April, 2023.

IDAHO BOARD OF TAX APPEALS