

BEFORE THE IDAHO BOARD OF TAX APPEALS

EDWARD MITCHELL,)	
)	
Appellant,)	APPEAL NO. 22-A-1042
)	
v.)	FINAL DECISION AND ORDER
)	
KOOTENAI COUNTY,)	
)	
Respondent.)	
)	
_____)	

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. MZZ42W34311B. The appeal concerns the 2022 tax year.

This matter came on for hearing October 31, 2022, in Post Falls, Idaho, before Board Member Kenneth Nuhn. Appellant Edward Mitchell was self-represented. Kootenai County Appraisal Manager Troy Steiner 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 a manufactured home.

The decision of the Kootenai County Board of Equalization is affirmed.

FINDINGS OF FACT

The assessed value of this manufactured home is \$40,260. Appellant contends the correct value is \$29,930.

The subject property is a 1,071 square foot manufactured home with two (2) bedrooms and two (2) bathrooms built in 1980 located in Bayview, Idaho. The square footage includes the original 924 square foot manufactured home and an added 147

square foot room. It was not clear when the room was added. The manufactured home additionally has a 645 square foot wood deck.

Appellant purchased the property in August 2019 along with the .34 acres it sits on, the snow roof cover over the manufactured home, and a 1,008 square foot pole building Appellant described as a workshop. The total purchase price was \$172,500. Appellant described various negative characteristics subject experiences. There is smoke and water damage, the protective fabric underneath subject which holds in the insulation is ripped and rotted, and the manufactured home sits on a pier block foundation. Appellant described “permanent damage” to the addition where it is attached to the manufactured home, due to a past leak in the roof cover. Appellant further stated the skirting is rusted, the windows are original and poorly sealed, and there is water damage on the ceiling panels throughout.

Appellant argued subject is not real property so should be categorized and assessed as personal property. According to Appellant, subject cannot be real property because it is not permanently attached to the land. Appellant also expressed the belief manufactured homes depreciate in the same way as personal property, not necessarily similar to real property.

Appellant next asserted manufactured homes depreciate approximately 3% to 3.5% per year and included information regarding the J.D. Power National Automobile Dealers Association (NADA) Used Manufactured Home Value Report from June 2022. Using the NADA report, Appellant calculated a value for subject of approximately \$16,787. Appellant asserted this was the best indicator of value for the subject property.

Appellant contended subject's assessment should be based on its depreciation, not sales from 2021. Appellant did, however, provide information on three (3) sales. All the sales regarded two (2) bedroom, two (2) bathroom manufactured homes sitting on leased lots. Sale No. 1 included a 1,300 square foot manufactured home on a pier block foundation like subject and was built in 1972. The property sold for \$29,000 in June 2022. Sale No. 2 included a 983 square foot manufactured home also on a pier block foundation which was built in 1983. The property sold for \$99,900 in November 2021. The MLS listing shared the manufactured home had new features including interior paint, vinyl flooring, carpeting, refrigerator, range oven, washer, dryer, and a shed. There was also a covered deck and porch. Sale No. 3 was a 952 square foot manufactured home on a block foundation which was built in 1995. The property sold for \$105,000 in August 2021. The MLS listing noted the manufactured home had been painted inside and out and had new laminate flooring and carpet. The property further included a shed, a covered deck, and a covered front door entrance. Appellant stated these sales supported the notion there were no truly comparable properties and subject's valuation should not be based on sales comparison.

Respondent clarified subject is assessed as personal property, not real property, which is why it has a separate assessment notice from the land upon which it is situated. Respondent also asserted subject's value is based on market sales of personal property manufactured homes across the county. Respondent stated subject is in the historic part of Bayview within a short distance to the Lake Pend Orielle marinas and Farragut State Park. In 2019, Respondent adjusted subject's record based on the listing information. Overall, there were some interior updates in the bathrooms and general upkeep of the

interior and exterior, but there were many characteristics which needed updated. Inferior features not previously identified were added, such as the insulation, and the drywall and plywood wall finish.

In 2021, Respondent shared subject was inspected, and its property record was updated based on the inspection and other information received from Appellant. The inspection confirmed the insulation underneath the structure was falling out as there was no vapor barrier installed. Inside, previous water damage was visible but contained. Appellant also shared a portion of the electrical system was not functioning. The condition rating was changed from “Average” to “Fair.” The effective year was found to be too high so was adjusted from 1995 to 1985. The class rating was also adjusted, from “Fair+” to “Fair.” These changes reduced subject’s 2021 value from \$53,630 to \$29,930, which is the same value Appellant is requesting for subject’s 2022 assessed valuation.

Respondent shared it was illogical for subject to be assessed at the same value in 2022 that it was in 2021 because Bayview, and Kootenai County in general, experienced significant market appreciation during 2021. Therefore, adjustments to assessed values were necessary to achieve market value and to comply with Idaho law. Respondent stated the only change to subject’s value in 2022 was due to market appreciation. Increased construction, labor, and material costs impacted market values for 2022. Respondent explained subject’s market value adjustment included a local cost modifier of 30% which was utilized for all single-wide manufactured homes in the county to adjust for rising replacement costs. Respondent also explained residential sale prices in 2021 increased approximately 35% from the previous year. In its sales analysis, Respondent used a 30% trend figure, or 2.5% per month. Respondent shared high demand for housing

in 2021 created a shortage in real estate inventory, which naturally caused prices to rise. Overall, Respondent stated demand for affordable housing increased since single-family residences reached record high prices, hence the manufactured home market experienced significant increases as well.

Respondent disclosed there are 311 parcels in subject's neighborhood throughout two (2) geographic areas defined by the county. There were ten (10) sales in this area, which Respondent utilized in its ratio study. This study, supervised by the State Tax Commission (STC) is performed every year. Respondent collects sales and compares the time-adjusted sale price to the property's assessed value to ensure assessments are within 10% of market values. The 2022 ratio study indicated assessments were at approximately 95% of market value, which is within the STC's testing parameters.

Respondent provided two (2) sales analyses to support subject's 2022 assessment. The sales were provided as an illustration and were not used to develop subject's value. Respondent also clarified all characteristic adjustments within its sales analyses were applied to the time-adjusted sale prices, so the gross adjustment calculations do not include the time adjustment amounts.

The first analysis focused on substantiating the assessed value of the entire subject property, including the manufactured home, the roof cover, the outbuilding, and the land. The entire property has a 2022 assessed value of \$276,210.

Sale No. 1 was comprised of two (2) neighboring parcels totaling .21 acres and sold in June 2021 for a time-adjusted sale price of \$338,116. The property was improved with a 1,092 square foot manufactured home built in 1993 in average quality and

condition. The property additionally had two (2) carports. The adjusted sale price was \$357,653.

Sale No. 2 was a .12 acre property which sold in October 2021 for a time-adjusted sale price of \$317,937. This sale property was improved with a 1,034 square foot manufactured home built in 1966 with an effective build year of 2005 in average quality and good condition. Respondent noted the property had been completely remodeled, and it had an attached garage and a deck. The adjusted sale price was \$303,124.

Sale No. 3 was a .14 acre property which sold in October 2021 for a time-adjusted price of \$210,500. The property was improved with a 728 square foot manufactured home which was placed over a 728 square foot walk-out basement built in 1981 with an effective build year of 1985 in fair quality and average condition. Respondent stated this property had an outbuilding similar to subject's. The adjusted price was \$238,015. Respondent clarified \$40,000 was attributable to the manufactured home and the basement was valued separately for assessment purposes.

Sale No. 4 was a .23 acre property which sold in January 2021 for a time-adjusted sale price of \$311,200. The property was improved with a 1,128 square foot manufactured home built in 1985 with an effective year of 1995 in average quality and condition. It had an outbuilding similar to subject. The adjusted sale price was \$284,759. Overall, with adjusted values ranging from \$238,015 to \$357,653, Respondent argued subject's full value of \$276,210 is reasonable.

Respondent's second sales analysis utilized just manufactured home sales. Respondent shared this analysis was to support the value given to the subject manufactured home. Again, characteristic adjustments were calculated based on the

time-adjusted prices. The properties were farther away compared to the sales in Respondents' first sales analysis, but Respondent stated this was to ensure the manufactured homes were on leased land and as similar to subject as possible. All the manufactured homes had fair quality and condition ratings. Respondent pointed out the similarity was further evident in the adjustments needed, which only related to square footage and room count.

Sale No. 1, located 31.8 miles from subject, sold in August 2021 for a time-adjusted sale price of \$33,850. The 882 square foot manufactured home was built in 1972 with an effective build year of 1980. Its adjusted price was \$38,574.

Sale No. 2, located 22.7 miles from subject, sold in November 2021 for a time-adjusted price of \$40,333. The 672 square foot manufactured home was built in 1973 and had an effective build year of 1985. Its adjusted sale price was \$51,008.

Sale No. 3, located 29.4 miles from subject, sold in October 2021 for a time-adjusted sale price of \$43,333. The 952 square foot manufactured home was built in 1979 and had an effective build year of 1985. It had an adjusted price of \$44,003.

Sale No. 4, located 22.3 miles from subject, sold in November 2021 for a time-adjusted price of \$51,792. The 938 square foot manufactured home was built in 1979 with a 1985 effective build year. Its adjusted price was \$54,343. Respondent further shared this property recently resold for \$70,000 despite no physical changes being made. The resale date was not shared, though it was presumably during 2022.

Overall, Respondent believed the analysis of manufactured home sales demonstrated subject's assessment is fair and equitable. Adjusted sale prices ranged from \$38,574 to \$54,343, which bracket subject's assessment of \$40,260. Respondent

also noted subject is assessed at roughly \$38 per square foot, which was lower than the sale rates.

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. There are three (3) approaches to value: the sales comparison approach, the cost approach, and the income approach. 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.

Appellant provided information regarding three (3) sales, though did not perform a sales comparison analysis where adjustments are made to the sale properties to make them similar to subject and therefore easier to conclude a reliable value opinion. The sale manufactured homes all had two (2) bedrooms and two (2) bathrooms like subject. They

ranged in size from 952 square feet to 1,300 square feet, whereas subject is 1,071 square feet. The properties sold between August 2021 to June 2022 and sale prices ranged from \$29,000 to \$105,000. Appellant is requesting a value of \$29,930 for subject.

It was not lost on the Board Appellant's requested value is the same as subject's 2021 assessment, despite the unprecedented market appreciation in Kootenai County reported by Respondent. Additionally, as the effective date of valuation in this appeal is January 1, 2022, the June 2022 sale is untimely for purposes of this appeal. The other two (2) manufactured homes sold for \$99,900 and \$105,000, respectively, though they had notable updates compared to subject, ultimately making it difficult for the Board to effectively compare the sales to subject. The Board afforded Appellant's sales little weight in its determination of subject's market value.

Appellant additionally provided an NADA report which was afforded little weight because it did not incorporate any market information in its value conclusion. Idaho is a market value state, which necessitates the market be considered.

Respondent provided six (6) sales and adjusted for differences. Three (3) sales were provided to support subject's total value, and three (3) sales were provided to support solely the subject manufactured home's value. The first analysis yielded adjusted prices from \$238,015 to \$357,653, where subject's assessment totaled \$276,210. The second analysis yielded adjusted prices from \$38,574 to \$54,343, where subject's assessment is \$40,260. The comparable manufactured homes in Respondent's second analysis sold for adjusted prices of roughly \$44 to \$76 per square foot, whereas subject is assessed at roughly \$38 per square foot.

The Board was concerned with the somewhat high gross adjustments in Respondent's first analysis, where none of the comparable sales had gross adjustments less than 37.7%. In addition, some had large time adjustments, such as for a sale which occurred almost one (1) whole year before the lien date of January 1, 2022. This property's time adjustment alone increased the sale price from \$240,000 to \$311,000.

However, Respondent's second analysis included smaller adjustments, with gross adjustments ranging from 8.7% to 28.6%. The Board found this analysis more reliable because of the better comparability of the sales, and also because the sales included only manufactured homes, the value of which was Appellant's primary concern. Where subject is valued at a lesser rate despite having the same quality and condition ratings of "Fair" and the same effective year of 1985 as three (3) of the four (4) sales, Board sees no sign of inequitable assessment.

Respondent also described the various ways in which subject's condition was considered in its assessment. In 2021, Respondent inspected subject and made changes to the property record. Most notably, the condition was changed from "Average" to "Fair," the class from "Fair+" to "Fair," and the effective year from 1995 to 1985. The Board finds these changes sufficiently account for the deferred maintenance mentioned in record such as the interior water damage and the damage to the insulation underneath the manufactured home.

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 burden of proof was not met in this instance. Appellant failed to provide adequate market support for a reduction in subject's value. The Board also noted Respondent has already accounted

for the deferred maintenance items Appellant discussed. Despite the shortcomings of its first analysis, Respondent's overall presentation demonstrated subject was not inequitably assessed. The Board will uphold the decision of the Kootenai County Board of Equalization.

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 31st day of March, 2023.

IDAHO BOARD OF TAX APPEALS