

BEFORE THE IDAHO BOARD OF TAX APPEALS

ALEXANDER MURRAY,)	
)	
Appellant,)	APPEAL NOS. 22-A-1076 and
)	22-A-1077
v.)	
)	FINAL DECISION AND ORDER
BONNER COUNTY,)	
)	
Respondent.)	
)	
)	
)	

RESIDENTIAL PROPERTY APPEALS

These appeals are taken from decisions of the Bonner County Board of Equalization denying appeals of the valuations for taxing purposes on properties described by Parcel Nos. RP56N02W034507A and RP56N02W034509A. The appeals concern the 2022 tax year.

These matters came on for hearing November 17, 2022, in Sandpoint, Idaho, before Board Member Kenneth Nuhn. Appellant Alexander Murray was self-represented. Bonner County Chief Deputy Assessor Dina Brown represented Respondent.

Board Members Leland Heinrich, Kenneth Nuhn, and Doug Wallis join in issuing this decision.

The issue on appeal concerns the market values of two (2) residential properties.

The decisions of the Bonner County Board of Equalization are modified.

FINDINGS OF FACT

Parcel No.RP56N02W)34507A (Appeal 22-A-1076)

The assessed land value is \$1,028,900, and the improvements' value is \$524,611, totaling \$1,553,511. Appellant agrees with the value of the improvements, however, contents the correct land value is \$533,995, totaling \$1,058, 606.

For the purposes of this decision, this subject properly will be referred to as Lot 7. This subject property is a .33 acre parcel with 90 feet of waterfront along the southern shores of Lake Pend Oreille near Sagle, Idaho. The property is improved with a 4,025 square foot residence constructed in 1980. The property is further improved with a cabin, a bathhouse, several small sheds, and a boat dock.

Parcel No. RP56N02W034509A (Appeal 22-A-1077)

The assessed land value of this vacant parcel is \$1,162,690. Appellant contends the correct value is \$618,310.

For purposes of this decision, this subject property will be referred to as Lot 9. This subject property is a .54 acre lot with 128.94 front feet on the lake adjacent to subject Lot 7 above.

Appellant was concerned with the sharp increases in subjects' land valuations and the different frontage rates applied despite the fact the lots adjoin each other. In support of a lower valuation, Appellant provided a list of thirty-one (31) vacant lot sales which occurred in the county during 2021. Appellant narrowed the list to include only sale lots with frontage on either Lake Pend Oreille or the Pend Oreille River, of which there were nine (9) such sales. The sale lots varied in water frontage from 64 to 340 feet, with sale prices ranging from \$200,000 to \$2,000,000, or roughly \$1,980 to \$7,460 per front foot. The land rate applied to subject Lot 7 was roughly \$11,400 per front foot, and the rate applied to Lot 9 was approximately \$9,000 per front foot, both of which were excessive against the sales data in Appellant's view. Though specific details were somewhat murky, Appellant reportedly removed several of the high and low sales from the data set and determined a "median" price rate of \$5,621 per square foot. Appellant applied this rate to

subjects' respective frontages¹ and calculated a land value of \$533,995 for Lot 7 and \$618,310 for Lot 9, and petitioned subjects' land values be adjusted accordingly.

In support of subjects' valuations, Respondent developed two (2) comparative sales models, one (1) for each subject property. With respect to Lot 7, Respondent offered information on three (3) sale properties with frontage on Lake Pend Oreille. All the sale residences were superior to the subject residence in terms of construction quality, and all included additional improvements, though details were not shared. Sale No. 1 concerned a parcel with 88 waterfront feet improved with a 4,959 square foot residence constructed in 2017 which sold in April 2021 for \$3,650,000. Sale No. 2 was the September 2021 purchase of a 2,569 square foot residence constructed in 1996 situated on a lakefront parcel with 405 feet of shoreline, which sold for \$2,710,000. Sale No. 3 was a parcel with 100 waterfront feet improved with a 2,664 square foot residence constructed in 2003. This property sold for \$1,520,000 in April 2021. Respondent compared each sale property to subject Lot 7 and made adjustments for differences in square footage, age, construction quality, and other noted characteristics. The result was adjusted sale prices from \$1,437,485 to \$2,084,516, which were noted to bracket the \$1,553,511 assessed value of Lot 7.

Respondent's second sales analysis was developed in support of the valuation of subject Lot 9, and it too was comprised of three (3) recent sales. Sale No. 1 was a vacant waterfront lot with 62 feet of shoreline with an October 2021 sale price of \$895,000. Sale

¹ Appellant's calculations were based on frontage measurements from the time the subject parcels were purchased approximately thirty-five (35) years ago. Appellant utilized a frontage measurement of 95 front feet for Lot 7 and 110 front feet for Lot 9. Respondent's records reflect 90 front feet for Lot 7 and 128 front feet for Lot 9, which Appellant conceded were likely more accurate reflections of the true shoreline lengths today.

No. 2 was a parcel with 100.73 waterfront feet which sold in April 2021 for \$1,125,000. Though details were not provided at the time of sale, Respondent reported a value of roughly \$22,000 for the improvements situated on the property. Sale No 3 was an improved parcel with 99.3 front feet on the lake which sold for \$4,000,000 in January 2021. Details concerning the improvements were again not shared, but respondent's analysis indicated approximately \$2,500,000 in value attributable to the improvements. After removing improvement values and making adjustments for shoreline length and location, Respondent concluded adjusted sale prices from \$1,162,742 to \$1,395,340, or from \$9,018 to \$10,822 per front foot. Subject Lot 9 is assessed at \$1,162,690, or \$9,017 per front foot.

Appellant was adamant the property characteristics Respondent reported for Sale No. 1, which was also included in Appellant's data set, were incorrect. According to Appellant, the sale included two (2) adjacent waterfront lots with a total of 120 waterfront feet, not a single parcel with 62 front feet as reflected in Respondent's analysis. Appellant stressed this frontage error substantially inflated Respondent's adjusted price conclusion of roughly \$1,160,000, or \$9,018 per front foot for the sale lot. Appellant calculated a price rate of \$7,458 per front foot using the 120-foot shoreline measurement.

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 sales comparison approach, the cost approach, and the income approach comprise the three (3) primary methods for determining market value. *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 in simple terms compares recent sales of similar property to the subject property and makes adjustments for differences in key property characteristics.

As Appellant was concerned only with the land values of the subject parcels, Appellant’s analysis focused on sales of vacant waterfront lots. Respondent, by contrast, developed separate valuation models for each subject property, as Lot 7 is improved, and Lot 9 is vacant. The parties’ efforts to provide timely and relevant sales information were much appreciated by the Board, but there were some concerns with aspects of the parties’ respective analyses.

We begin with subject Lot 7. While the Board understands Appellant’s argument that the land should be assessed at the same rate as the adjacent Lot 9 parcel, this position ignores the fact Lot 7 is a fully developed residential property, whereas Lot 9 is a vacant lot. These are two (2) different property types, and they sell differently in the marketplace. All the necessary site work to support a residence has been completed on

Lot 7, so it is a fully functional residential property. Lot 9, on the other hand, has not been prepared for residential development, which costs would certainly factor in a potential purchase decision. Appellant's analysis did not take into account the fact Lot 7 is developed, which weakens the reliability of the value conclusion. Also, while all the sales were waterfront lots, they were not necessarily located in subjects' neighborhood. And it is well understood location significantly influences market value. The lack of consideration for location was viewed as another weakness in Appellant's valuation methodology.

Respondent's analysis for subject Lot 7 was based on three (3) improved waterfront sales; however, their comparability to Lot 7 was questionable. Understandably, Respondent was limited to the sales reported to the assessor's office, which can be drastically less than the actual number of sales, as demonstrated in this case with Appellant's production of thirty-one (31) vacant lot sales, most of which were previously unknown to Respondent. Also, waterfront properties are often improved with custom or somewhat unique residences, which adds to the challenge of finding highly comparable sale properties. That being said, with sale prices of roughly \$3.6 million and \$2.7 million for Sale Nos. 1 and 2, respectively, the dissimilarity with subject Lot 7, with an assessed value of approximately \$1.5 million, is immediately apparent. The disparities between these two (2) sales and Lot 7 was further evidenced by the gross adjustments of 61% and 34% Respondent made to Sale Nos. 1 and 2, respectively. The \$1,520,000 sale price of Sale No. 3 was closer to subject's assessed value, which initially suggested some level of similarity, but with Respondent's gross adjustments totaling 80%, the comparability with subject Lot 7 became difficult to recognize.

Turning now to vacant subject Lot 9, the Board was not convinced Respondent's sales model produced the most reliable indication of value in this instance. One concern

was the inclusion of two (2) improved sale properties in the analysis, even though Lot 9 is a vacant lot. Admittedly, the improvements associated with Sale No. 2 appear to be minimal given Respondent made only a \$22,166 adjustment. However, the same cannot be said for Sale No. 3, for which an adjustment of \$2,538,000 was made for the improvements. Not only was the property improved, but it was also located in a superior neighborhood which necessitated a location adjustment of roughly \$220,000. In fact, gross adjustments to Sale No. 3 totaled 74%, which suggests a high degree of dissimilarity to Lot 9. In light of the apparent dissimilarity, it was curious to the Board why Sale No. 3 was included in the model, particularly given Respondent's criticism of Appellant's use of vacant lot sales to estimate the land value of improved subject Lot 7.

There were also some questions concerning the veracity of the information Respondent reported for Sale No. 1. Respondent indicated the sale involved a vacant lot with 62 front feet on the lake; however, according to Appellant, two (2) adjacent lots were included in the transaction and the total shoreline measurement was 120 front feet. As Respondent offered no comment or explanation and Appellant is the party who collected and researched the list of thirty-one (31) vacant sales, the Board is inclined to accept Appellant's representation that two (2) lots were included in Sale No. 1. This of course dramatically impacts the analysis because instead of the \$14,226 per front foot sale price reported by Respondent, the price rate in the correct shoreline measurement was actually \$7,458 per front foot, roughly one-half ($\frac{1}{2}$) the price rate reported by Respondent.

Lastly, the adjustments Respondent made to the sale properties for differences in shoreline length compared to subject were inconsistent. The rate of frontage adjustment applied to Sale No. 1 was approximately \$4,194 per front foot, and the rates for Sale Nos. 2 and 3 were roughly \$3,130 and \$5,669 per front foot, respectively. Presumably, the

higher adjustment rate applied to Sale No. 3 was due to its superior location, but the other two (2) sale properties were in subject's same neighborhood, so the Board would have expected the same or highly similar adjustment rates. The variable rates may possibly be justified, but Respondent did not address the issue, so the Board is left with what appears to be an inconsistent analysis, which further weakens the reliability of Respondent's value conclusion.

In the Board's view, Respondent's reliance on extracting land values from improved sales to estimate the land value of subject Lot 9, a vacant parcel, was further unjustified in this case because there were numerous vacant waterfront lot sales during 2021 which could have been used instead. The Board is aware Respondent did not have Appellant's sales data at the time subjects' assessed values were determined, but now that the information has become available it needs be considered because it is data that existed and was available to market participants as of the date of assessment. As such, the sales information provided by Appellant featured heavily in the Board's consideration of subjects' valuations.

In looking at vacant lot sales data, it is clear to the Board subjects' land values are somewhat overstated. Lot 9 is assessed at \$9,017 per front foot, and the value rate applied to Lot 7 is \$11,432 per front foot. None of the lot sales in the record approached either of these frontage rates, with the highest unadjusted price rate at \$7,458 per front foot for the sale discussed earlier involving two (2) lots. Only through heavy adjustments to sales of largely dissimilar waterfront properties was Respondent able to get its adjusted sale rates near the land rates applied to the subject parcels. The Board identified nothing in the record suggesting the subject lots were particularly unique or otherwise exceptional

so as to justify the considerably higher assessment rates. Stated simply, the sales data did not support subjects' current land values.

As the party initiating this appeal, the burden falls on Appellant to prove error in subjects' valuations by a preponderance of the evidence. Idaho Code § 63-511. Given the record in this matter, the Board found the burden of proof satisfied. Appellant's vacant sales data overwhelmingly pointed to lower land values for the subject properties. After removing the markedly dissimilar sales from the data set, such as the sale lots with 200 front feet or more, the Board finds a rate near the middle of the indicated range appropriate in this instance. Admittedly, improved properties typically do not sell the same as vacant parcels, so some variance in land value between the two (2) would not be surprising. However, in this case there was insufficient information concerning the proper valuation of the improvements on subject Lot 7, as the improved sales offered by Respondent shared little in common with the property. Given this, plus the shared use and general similarity of the two (2) subject lots, the Board will apply the same \$6,500 per front foot rate to both in this particular instance. The decisions of the Bonner County Board of Equalization are modified accordingly.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decisions of the Bonner County Board of Equalization concerning the subject parcels be, and the same hereby are, MODIFIED, as detailed below.

Parcel No. RP56N02W034507A (Appeal No. 22-A-1076)

Land:	\$ 598,000 (includes \$13,000 for site improvements)
Improv. (Cat 34):	\$ 479,946
<u>Other Improv. (Cat 32):</u>	<u>\$ 44,665</u>
Total Valuation:	\$1,122,611

Parcel No. (RP56N02W034509A (Appeal No. 22-A-1077)

Land:	\$838,110 (no site improvements)
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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 Appellant.

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 26th day of April, 2023.