

BEFORE THE IDAHO BOARD OF TAX APPEALS

STEPHEN NELSON,)	
)	
Appellant,)	APPEAL NO. 22-A-1012
)	
v.)	FINAL DECISION AND ORDER
)	
ADAMS COUNTY,)	
)	
Respondent.)	
)	
_____)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Adams County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. RP16N01W156115A. The appeal concerns the 2022 tax year.

This matter came on for hearing November 3, 2022, in Council, Idaho, before Board Member Leland Heinrich. Appellant Stephen Nelson was self-represented. Adams County Assessor Stacy Swift Dreyer 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 Adams County Board of Equalization is modified.

FINDINGS OF FACT

The assessed land value is \$200,755, and the improvements' value is \$95,430, totaling \$296,185. Appellant contends the correct total value is \$218,500.

The subject property is a 13.47 acre parcel located in Council, Idaho. The property is improved with a 1,215 square foot manufactured home built in 1997. The property is additionally improved with two (2) outbuildings.

Appellant purchased the subject property in May 2021 for \$190,000. In June 2021, Appellant received the 2021 assessment notice for subject indicating a total assessed value of \$245,894, which was almost \$56,000 more than the purchase price and approximately 66% more than the 2020 assessment of \$148,188. Appellant was unable to appeal subject's assessed value for 2021 but appealed in 2022, asserting the conditions of both the land and improvements had not been adequately considered in subject's valuation.

Appellant described subject as a fixer-upper, which characterization was reflected in the MLS listing, and detailed several detrimental features subject experiences. Appellant reported the property was evidently a gravel pit at one time, as huge piles of rock and dig areas are still present on the property. Appellant estimated approximately four (4) to five (5) acres are affected by the past digging. Appellant reported 700 yards, estimated at 1.8 million pounds, of rocks and dirt have been spread out so far, and this is only part of one (1) of three (3) very large piles. Next, Appellant shared there are portions of the property which are steep and unusable, and there is a driveway easement for a neighboring parcel along the west side of the property which is also unusable for Appellant.

Appellant stated the manufactured home was the "lowest base model" the building company had available at the time it was built; had "absolutely no upgrades;" needed new windows; and had damaged walls, cabinets, countertops, flooring, ceilings, skirting, deck, awning, and a bathtub which need repaired or replaced. Additionally, the improvement is not on a foundation but rather sits on jacks with a pier wall around it. An outbuilding Appellant described as an equipment shed is approximately the same age as the

manufactured home and has warped and missing wooden siding. Appellant provided various photos of these conditions and stated a new 1,290 square foot manufactured home of the same brand as subject with three (3) bedrooms and two (2) bathrooms could be purchased for \$97,000, asserting subject's improvement should not be valued so close to the price of a new manufactured home.

Appellant provided information regarding three (3) unimproved sales which occurred in 2021 to support a reduction in subject's land value. Sale No. 1 was an 8.94 acre property which sold for \$75,000, or approximately \$8,389 per acre, in May 2021. Appellant noted this property included seller-installed underground power, a new well, and a road maintenance agreement; however, it was not clear whom the road maintenance agreement was with. Sale No. 2 was a 12.35 acre property which sold for \$115,000, or roughly \$9,312 per acre, in October 2021. Appellant noted this property was adjacent to a county-maintained road. Sale No. 3 was a 14.04 acre property which sold for \$145,000, or roughly \$10,328 per acre, in December 2021. Appellant noted this property was also along a county-maintained road. Appellant calculated a median price per acre of approximately \$9,343 for the sales, which Appellant applied to subject's acreage to calculate a land value of \$125,848.

Respondent testified Adams County has seen a large increase in market values over the last two (2) years. Respondent completes a market study every year to determine if and how property assessments need to be adjusted to mirror the market. Respondent next explained properties in Adams County are valued using mass appraisal techniques, where each residence is identified by class (quality of construction), and a replacement cost is calculated. Local cost modifiers and depreciation are used to adjust values to

reflect a current market value for each property. Respondent shared the subject manufactured home's valuation rate was calculated based on the sales of similar manufactured homes. Likewise, based on sales of similarly sized parcels, sale prices per acre for bare land were calculated to assess land in the county. The rate is calculated using "land residual value," which removes values of all structures and onsite improvements from the sale price, leaving a residual value attributable to the land.

Respondent provided two (2) sales analyses. First, Respondent provided information on three (3) sales concerning manufactured homes to support subject's improvement value. Sale No. 1 sold in October 2020 for \$225,000. The property was improved with a class five (5) 1,778 square foot manufactured home built in 1994. Respondent time-adjusted the sale price, then removed the land value and the value of other improvements on the property. This resulted in a residual value of \$193,354 for the manufactured home, or roughly \$109 per square foot. Sale No. 2 sold in October 2020 for \$324,793. The property was improved with a class five (5) 1,782 square foot manufactured home built in 1986. The residual home value was \$148,670, or roughly \$83 per square foot. Sale No. 3 sold in March 2021 for \$300,000. The property was improved with a class four (4) 854 square foot manufactured home built in 1972. The residual home value was \$71,024, or roughly \$83 per square foot. In comparison, subject is improved with a class five (5) 1,215 square foot manufactured home built in 1997 and currently assessed at \$81,682, or roughly \$67 per square foot. Respondent explained a class five (5) rating is the lowest possible rating for a manufactured home of subject's age.

Next, Respondent provided information on three (3) unimproved sales to support subject's land value. Sale No. 1 was a 9.84 acre property which sold in January 2021 for

\$250,000. Respondent time-adjusted the sale price then removed the value of the onsite improvements, resulting in a residual land value of \$280,682, or roughly \$28,525 per acre. Sale No. 2 was a 11.86 acre property which sold in December 2020 for \$158,186 with a residual land value of \$148,384, or roughly \$12,511 per acre. Sale No. 3, the same property as Appellant's Sale No. 2, was a 12.35 acre property which sold in October 2021 for \$115,000. There were no improvements, so Respondent only applied a time adjustment. The time-adjusted sale price was \$121,881, or roughly \$9,869 per acre. Subject's land assessment, minus the value of onsite improvements, is \$171,930, or roughly \$12,764 per acre.

Appellant expressed concerns with Respondent's land Sale Nos. 1 and 2, opining those parcels were more usable compared to subject. Additionally, Appellant stated these two (2) properties had springs and ponds on them and were flat, "premium" land. Respondent explained there was limited sales information available and stated there was not sufficient information to make an informed adjustment for water influences. Respondent also stated there were no adjustments applied to subject's land value for the unusable portions of the lot because residential lots are generally sold as homesites, not for potential use.

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.

Both parties provided sales for the Board’s consideration, though neither conducted a traditional sales analysis where differences are recognized and proper adjustments are made. Appellant shared information regarding three (3) unimproved sales to support a reduction in subject’s land value. The sale properties were between 8.49 and 14.04 acres in size and sold from approximately \$8,389 to \$10,328 per acre. Appellant applied the median price per acre to subject’s 13.47 acres and argued the resulting \$125,848 would be a more accurate and equitable valuation for subject’s land.

Appellant was also concerned subject’s condition was not considered in the assessment. Appellant described many adverse factors the property experiences, focusing mainly on the holes and rock piles on the land and the deterioration of the roughly twenty-five (25) year-old manufactured home. Appellant also noted there are steep and

unusable portions of the property and a driveway easement through the western side of the property.

The Board was persuaded Respondent did adequately consider the manufactured home's condition in its assessment, as evidenced by the price rates from \$83 to \$108 per square foot Respondent extracted from the manufactured home sales, compared to the \$67 per square foot rate concluded for subject's manufactured home. Two (2) of the sales were class five (5) manufactured homes like subject, indicating they were of similar quality. The other had an inferior class rating of four (4) yet still sold for a higher sale rate than subject.

Conversely, the Board was not convinced the condition of the land was sufficiently considered. Respondent provided three (3) land sales, which information was appreciated, but no adjustments were made for the notable differences in property characteristics compared to subject. It was clear there were key differences, particularly the relatively level topography and water amenities enjoyed by Sale Nos 1 and 2. Additionally, Respondent explained at hearing subject was not receiving an adjustment to account for the unusable portions of the lot, which Appellant testified is almost one-third ($\frac{1}{3}$) of the lot. The Board finds this lack of adjustment was in error.

While the Board appreciated the sales information provided by Respondent, the lack of any adjustments for dissimilar property characteristics was cause for concern, particularly with respect to Respondent's land sales. As such, the Board afforded minimal weight to the land sales in its analysis of subject's value. Instead, the Board found good cause in this particular instance to rely primarily on Appellant's arm's-length purchase of the subject property in May 2021 for \$190,000, which price fully reflects consideration for

subject's difficult and partially unusable land. Of course, as the sale transpired approximately six (6) months prior to the date of assessment, the price needs to be time-adjusted to capture the market appreciation over that period.

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. In this instance, the Board found the burden of proof was met. As subject's purchase in May 2021 was found to be the best indicator of subject's value in the record, the Board will time trend the purchase price of \$190,000 up to the assessment date of January 1, 2022. The Board will modify the Adams County Board of Equalization's decision and set a new value of \$218,000.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Adams County Board of Equalization concerning the subject parcel be, and the same hereby is, MODIFIED to reflect a total value of \$218,000, allocated as follows:

Category 12:	\$122,570
Category 34:	\$ 12,819
Category 47:	\$ 929
<u>Category 48:</u>	<u>\$ 81,682</u>
Total:	\$218,000

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 31st day of March, 2023.

IDAHO BOARD OF TAX APPEALS