

BEFORE THE IDAHO BOARD OF TAX APPEALS

RONALD PAYTON,	)	
	)	
Appellant,	)	APPEAL NO. 22-A-1116
	)	
v.	)	FINAL DECISION AND ORDER
	)	
CLEARWATER COUNTY,	)	
	)	
Respondent.	)	
	)	
_____	)	

**RESIDENTIAL PROPERTY APPEAL**

This appeal is taken from a decision of the Clearwater County Board of Equalization modifying the valuation for taxing purposes on property described by Parcel No. RP34N05E234201A. The appeal concerns the 2022 tax year.

This matter came on for hearing November 3, 2022, in Orofino, Idaho, before Board Member Kenneth Nuhn. Appellant Ronald Payton was self-represented. Clearwater County Assessor Susan Spencer 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 Clearwater County Board of Equalization is affirmed.**

FINDINGS OF FACT

The assessed land value is \$44,922, and the improvements' value is \$350,780, totaling \$395,702. Appellant contends the correct total value is \$337,835.

The subject property is a 98.71 acre parcel located approximately fifteen (15) miles from Weippe, Idaho. All but one (1) acre is being specially valued as forestland. The

remaining acre is a designated homesite improved with a one (1) bedroom, one (1) bathroom residence built in 2016 which includes 1,760 square feet above ground and a 1,760 square foot completely unfinished walk-out basement. The basement includes a 556 square foot garage. The residence also has a 528 square foot wood deck and a 352 square foot lean-to. The property borders a canyon through which Lolo Creek runs.

Appellant believed subject's specific characteristics were not considered when its assessment was set. Appellant indicated the drive to Weippe is approximately 45 minutes long, and most of the fifteen (15) miles between subject and Weippe is gravel road. The county road ends after four (4) miles, ten (10) miles are state endowment land where the state does minimal maintenance which leaves the road covered in potholes and other damage, and the last mile is an old logging road which Appellant stated has less maintenance than the state road. Appellant also shared eleven (11) miles of the access road to subject gets no maintenance during winter despite the typical two (2) to three (3) feet of snow it experiences, which makes the property accessible only by tracked vehicles from December to March. Appellant asserted the remote location and access issues dramatically reduce subject's market value.

Appellant next shared subject is completely "off-grid," with no utilities such as power, gas, or water due to its remote location. Subject additionally has no well, and Appellant explained water must be hauled from Weippe to store in the 2,500 gallon cistern in subject's basement. Appellant estimated the water costs approximately \$4 per 1,000 gallons. Appellant also stated it is cost prohibitive to install a well, sharing a neighbor across the canyon in Idaho County at approximately the same elevation as subject had to pay roughly \$30,000 for a 760 foot deep well in 2008. Appellant explained another

neighbor on the Idaho County side of the canyon paid approximately \$60,000 for a 650 foot well, though this included at least one (1) re-digging project because the well was not initially dug deep enough and dried up. Appellant stated this well was dug in the last five (5) years or so.

Appellant explained the residence's heat is supplied by an outdoor wood furnace which requires daily, biweekly, and more involved annual maintenance. It also must be loaded with wood twice daily. Appellant estimated the subject must utilize approximately five (5) cords of wood per year to maintain a temperature which will not cause damage to the building materials such as the wood flooring. Appellant additionally testified subject's large generator and propane boiler have shorter lifespans than on-grid power and heat sources, which factor Appellant argued would influence the decision of a potential buyer.

Lastly, Appellant conjectured the sizes of subject's lot and residence would be difficult selling points in the market. A one (1) bedroom, one (1) bathroom residence would, in Appellant's opinion, be much more difficult to sell than a more standard-sized residence. Additionally, subject sits on a parcel of 98.71 acres, which Appellant contended would dramatically decrease the pool of potential buyers, assuming large parcels would be undesirable in the residential market. Appellant additionally stated the parcel would have to be sold at a discount to appeal to the market.

Respondent explained Idaho is a market value state, and each year the assessor is required to conduct a market analysis called a ratio study to determine if assessed values are within 10% of market value. This analysis is supervised by the State Tax Commission (STC). If assessments are not within these standards, adjustments must be made to bring assessed values to market level. Respondent provided a letter from the

STC reporting Clearwater County's 2021 ratio study indicated vacant and improved residential properties were not valued within 10% of their market value and needed to be equalized to reach market value for the 2022 assessment year. Respondent shared all improved residential properties in subject's rural area were trended upward 60% for 2022 in order to satisfy the STC's testing parameters.

Respondent assured Appellant that off-grid parcels are valued differently and are not assessed for onsite improvements the parcel does not have. Subject was not assessed for power or water, only access and septic. Respondent also testified if a well were to be added, it would only add \$15,000 to the assessed value no matter how much it cost to install. Respondent stated there are many off-grid parcels in the county, but they do not sell often and are usually improved with cabins, not residences like subject.

In support of subject's assessed value, Respondent shared information on five (5) off-grid or remote properties which sold between 2018 and 2022. Respondent recognized the sales were different from subject and two (2) were from four (4) years ago, but stated they occurred after the county's market started to increase and indicate how off-grid and remote properties are selling. Respondent also stressed properties are assessed using mass appraisal, and the county does not derive values using fee appraisal techniques. The sales were provided to demonstrate the general market.

Sale No. 1 was a thirty (30) acre property improved with a 480 square foot cabin which sold in February 2022 for \$239,000. Sale No. 2 was a four (4) acre property improved with a 384 square foot dwelling which sold in August 2021 for \$40,000. Sale No. 3 was a ten (10) acre property improved with a 320 square foot cabin which sold in November 2021 for \$185,000. Sale No. 4 was a twenty (20) acre property improved with

a 2,400 square foot dwelling which sold in July 2018 for \$375,000. Sale No. 5 was a twenty (20) acre property improved with a 1,600 square foot dwelling which sold in July 2018 for \$250,000.

Respondent also shared information about an off-grid property which sold for \$1,050,000 in 2008. Respondent stated this fourteen- (14) year-old sale demonstrated location and being off-grid does not matter as much as Appellant believes. The property was improved with a 2,128 square foot residence which also had a 2,128 square foot walk-out basement, 392 square feet of which was a garage.

Respondent next provided information on five (5) properties which sold from February 2021 to January 2022. None of the properties were off-grid, but Respondent stated they were utilized to demonstrate general values of remote properties. Respondent testified all five (5) sale properties were located in Rural Area 2 and had “Average” grade residences like subject. Respondent clarified Rural Area 2 comprises roughly two-thirds ( $\frac{2}{3}$ ) of Clearwater County.

Sale No. 1 was a 40.77 acre property improved with a three (3) bedroom, three (3) bathroom residence with 1,392 square feet above ground and a 1,200 finished square foot walk-out basement built in 2002. The residence included an attached garage, and the property was further improved with three (3) pole buildings of undisclosed size. The property sold in February 2021 for \$539,000, or roughly \$171 per square foot.

Sale No. 2 was a twenty-five (25) acre property improved with a single-level 1,680 square foot residence with three (3) bedrooms, two (2) bathrooms, and an effective year built of 1979. The residence included an attached garage and concrete patios with roof extensions, and the property further had a machine shop, a pole building, and two (2)

small utility sheds of undisclosed sizes. The property sold in January 2022 for \$395,000, or roughly \$198 per square foot.

Sale No. 3 was a 13.2 acre property improved with a 1,260 square foot single-level residence with two (2) bedrooms, two (2) bathrooms, and an effective build year of 2004. The residence included an attached garage, and the property further had a detached garage with an attached lean-to, a small utility shed, and two (2) additional lean-tos. None of the additional structures' sizes were shared. This property sold in December 2021 for \$380,000, or roughly \$205 per square foot.

Sale No. 4 was a fourteen (14) acre property improved with a 2,000 square foot single-level residence with one (1) bedroom, two (2) bathrooms, and an effective year built of 1997. The residence included an attached garage and workshop, concrete patios, wood decks, and roof extension canopies, though square footages were not shared. Sizes were also not disclosed for the additional two (2) small utility sheds, an open-sided pole building, and an enclosed pole building with three (3) attached lean-tos. The property sold in December 2021 for \$602,000, or roughly \$205 per square foot.

Sale No. 5 was a fourteen (14) acre property improved with a 1,216 square foot residence with two (2) bedrooms, one (1) bathroom, and an unfinished two (2) car basement garage built in 2003. The residence included two (2) wood decks of unknown size. The property sold in October 2021 for \$275,000, or roughly \$258 per square foot.

Respondent shared subject's residence is assessed at approximately \$196 per square foot, where the market rate Respondent calculated from its sales analysis of five (5) properties in Rural Area 2 is approximately \$215 per square foot, which was calculated

by extracting the residence values from the respective sale prices. Respondent opined this indicates subject's assessment is in line with the market.

Appellant noted none of Respondent's sale residences were one (1) bedroom, one (1) bathroom designs and again opined subject would have to be sold at a discount to appeal to buyers. Appellant also stressed none of Respondent's sale properties were over forty-one (41) acres in size, where subject is almost one hundred (100) acres, arguing Respondent's sale properties were not similar enough to subject for a strong analysis to occur. Respondent stressed there will never be an exact match to use as a comparable sale because all properties possess unique characteristics. Respondent testified to using the most comparable sales available, and asserted all of subject's unique characteristics were considered in its assessment.

#### 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 did not perform a traditional appraisal approach to support the requested value reduction. Instead, Appellant focused on detailing subject's off-grid, remote characteristics which Appellant believed were not considered in subject's assessment. While the Board appreciated the information, the record did not demonstrate these factors were overlooked in subject's most recent valuation. For example, while Appellant shared a well would cost anywhere from \$10,000 to \$60,000 to install, Respondent explained no well value is currently included in the assessment. The Board also noted Appellant did not provide any market information in support of the claim subject would need to be sold at a discount due to its large acreage, low bedroom and bathroom count, and remote location with difficult access. The Board also understands it is not currently possible for the subject property to be incorporated into "the grid," but the record demonstrated subject is properly assessed as a remote property with no utilities.

Respondent provided information on Clearwater County's 2021 ratio study which demonstrated residential properties in the county were undervalued in 2021. Therefore, residential assessments were increased for 2022 to comply with the STC's standards. Respondent testified improved residential properties in subject's area were trended upward by approximately 60% for 2022 to bring assessed values closer to market levels.



Respondent also provided multiple sales for the Board's consideration, though did not conduct a traditional sales comparison analysis. The Board did have various concerns regarding the sales and analysis. First, the Board afforded little weight to those sales which occurred in 2018 and the one (1) from 2008, as they have little relevance to the market. The Board was also hesitant to consider sales which occurred after the January 1, 2022, date of valuation and thus afforded these two (2) sales little weight as well. The Board focused its attention on the remaining six (6) sales which occurred between February and December 2021. The properties varied from a ten (10) acre parcel with a 320 square foot cabin which sold in November 2021 for \$185,000 to a fourteen (14) acre parcel with a 2,000 square foot residence and five (5) outbuildings which sold in December 2021 for \$602,000.

However, the Board was also concerned Respondent applied no adjustments to the sale properties to make them more comparable to subject despite their pronounced differences. For example, subject's land totals 98.71 acres, while Respondent utilized comparable sales as small as four (4) acres with no adjustments for size. The differences were apparent where subject is assessed at \$395,702, and Respondent's sales varied greatly in price from approximately \$200,000 below this figure to approximately \$200,000 above. However, even though the Board was unable to directly correlate the sales to subject's value, Respondent provided the only market data in the record. Where Appellant only discussed characteristics which were demonstrated to already be considered in subject's assessment, the Board is without cause to disturb subject's assessment.

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 does not

find the burden of proof met in this instance. Appellant provided no market data to support the value claim, and while Respondent's sale properties were not properly adjusted for, they represented the only market data in the record. It was also clear to the Board subject's off-grid, remote characteristics were sufficiently considered in its assessment. The Board will affirm the decision of the Clearwater County Board of Equalization.

#### FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Clearwater County Board of Equalization concerning the subject parcel be, and the same hereby is, AFFIRMED.

DATED this 31<sup>st</sup> day of March, 2023.

IDAHO BOARD OF TAX APPEALS