

BEFORE THE IDAHO BOARD OF TAX APPEALS

MICHAEL RICE,)	
)	
Appellant,)	APPEAL NO. 22-A-1049
)	
v.)	AMENDED*
)	FINAL DECISION AND ORDER
ADA COUNTY,)	
)	
Respondent.)	
)	
)	

*Amended to change the allocation of the subject property's total value between the land and improvement components of the assessment.

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Ada County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. R1071150030. The appeal concerns the 2022 tax year.

This matter came on for hearing September 26, 2022, in Boise, Idaho, before Board Member Leland Heinrich. Appellant Michael Rice was self-represented. Ada County Appraisal Manager Erin Brady represented Respondent.

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

The issue on appeal concerns the market value of an improved residential property.

The decision of the Ada County Board of Equalization is modified.

FINDINGS OF FACT

The assessed land value is \$233,800, and the improvements' value is \$312,800, totaling \$546,600. Appellant agrees with the value of the improvements but contends the correct land value is \$137,700, totaling \$450,500.

The subject property is a single-family residential parcel situated along the New York Canal in the Breckenridge subdivision in southeastern Boise, Idaho. The lot totals .25 acres in size, though the assessment notice identifies .04 acres as being waste land (easement) with zero value. The property enjoys views of the city as well as the Boise Foothills, and is improved with a single-level residence constructed in 1991. The 1,511 square foot residence includes three (3) bedrooms, two (2) bathrooms, and a 749 square foot attached garage.

Appellant was concerned subject's land value was too high compared to other nearby parcels in the subdivision. Appellant described a steeply sloped portion along the rear of the subject lot near the canal as being unusable and questioned whether adequate consideration was given to the topographical challenges. Appellant estimated the unusable area consumed roughly .05 acres and contended this area should be removed for purposes of comparison with other parcels. Appellant explained most of the properties along the canal were also sloped; however, many of the owners had invested significant sums to transform those areas into useable space. As the subject lot has not been similarly transformed, Appellant argued it should be assessed less than those lots which have remedied the slope issue.

To illustrate Appellant's concerns, assessment information on several nearby properties was offered. The first property was a .38 acre lot with .27 useable acres located two (2) doors down from subject, at 4288 Rimview. Despite having a useable area approximately .11 acres larger than subject, this lot was assessed at \$233,800, the same as subject. The next property discussed by Appellant was another immediately proximate .16 acre parcel located at 4296 Rimview situated adjacent to a six (6) acre park. Despite

having nearly the same amount of usable acreage, this lot was assessed \$96,100 less than subject, at \$137,700. Lastly, Appellant pointed to 4294 Rimview, which was a .17 acre parcel also assessed at \$137,700. Based on the land valuations of 4294 and 4296 Rimview, Appellant concluded subject's .17 useable acres should also be assessed at \$137,700 and petitioned the Board to reduce subject's value accordingly.

Appellant recalled a prior conversation with an appraiser from the assessor's office where it was suggested Appellant could remedy subject's useability issue by installing a retaining wall like the neighboring parcel. Appellant obtained a bid of approximately \$100,000 from a local landscaping company to install a retaining wall. Appellant noted the assessed value of the neighboring lot matched subject's lot value of \$233,800, which in Appellant's view was inappropriate because subject's slope issue has not been cured.

Respondent explained the subject property was last reappraised for the 2019 assessment year and has been trended each year since. Respondent reported values in the subdivision increased from 22.61% to 26.97% over the prior year, with subject's value increasing 26.97%. In support of subject's current valuation, Respondent offered two (2) comparative sales analyses, one (1) for subject's total value and one (1) for the land value.

The first analysis included three (3) recent sales from subject's immediate neighborhood. Sale No. 1 was a .34 acre lot with .23 useable acres which was improved with a 1,749 square foot single-level residence constructed in 1992. Located on subject's same street, this property sold in September 2021 for \$655,000. Sale No. 2 concerned a 1,549 square foot single-level residence attached to a .17 acre lot. This interior parcel with no views of the city or foothills sold for \$500,000 in November 2021. Lastly, Sale No.

3 was the July 2021 sale of a .17 acre parcel on subject's street for \$460,000. The property was improved with a 1,410 square foot single-level residence constructed in 1989. Each sale property was directly compared to subject, and adjustments were made for differences in finished living area, garage size, and location. The analysis yielded adjusted sale prices of \$634,770, \$592,770, and \$577,585, respectively. Subject's current assessed value is \$546,600, which Respondent highlighted was less than the adjusted sale prices.

Respondent's second valuation model considered three (3) vacant lot sales. The first sale concerned a lot located roughly 650 feet from the subject property. This .32 acre lot sold in May 2020 for \$325,000. The second sale was a paired sale of a .22 acre lot located approximately three (3) miles from subject. The lot first sold in October 2020 for \$275,000 and again in April 2022 for \$419,000. Respondent used this paired sale to calculate an upward time adjustment factor of 2.65% per month. The final sale was the July 2021 purchase of a .14 acre lot located somewhat near the university for \$250,000. The 2.65% per month time adjustment Respondent determined from the paired sale was applied to each sale price, resulting in adjusted prices of roughly \$495,000, \$385,000, and \$285,000, respectively. Respondent argued subject's land value of \$233,800 was reasonable given the range of value indicated by the adjusted sale prices.

Appellant challenged the comparability of the sale properties used in both of Respondent's valuation models. Appellant reported the interior finishes of the sale residences were superior to subject's residence, and the residence on Sale No. 1 is set back from the roadway and is accessed via a private driveway. Appellant was also concerned with the comparability of the sale lots, two (2) of which were larger than the

subject lot, and one (1) which was located in a dissimilar neighborhood. Respondent acknowledged differences in the sale properties, but stressed subject's current valuation was less than all the adjusted sale prices, and therefore reasonable by comparison.

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 estimating the market value of real property. *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 did not develop a traditional valuation model, nor provide any sales data for the Board's consideration. Instead, Appellant focused on a comparison of subject's

land value with assessed land values of several properties from the immediate neighborhood. Appellant first pointed to a nearby lot with .27 useable acres which shared the same \$233,800 land value as subject despite the subject lot having only .17 acres of useable space. Appellant compared the value of this larger lot with the valuations of two (2) lots with nearly the same useable acreage as subject, both of which were assessed at \$137,700. In Appellant's view, subject's land value should mirror that of the two (2) smaller comparison lots.

Respondent offered support for subject's current valuation through two (2) comparative sales analyses. The first valuation model utilized sales of three (3) nearby improved properties with residences similar to subject in age, finished living area, bedroom and bathroom count, and single-level design. Sale prices ranged from \$460,000 to \$655,000, with adjusted sale prices from approximately \$578,000 to \$635,000. Respondent argued subject's current assessed value of \$546,600 was reasonable given the range indicated by the adjusted sale prices.

Respondent's second analysis involved three (3) unimproved lot sales from 2020, 2021, and 2022. The sale lots varied in size from .14 to .32 acres in size, with sale prices from \$250,000 to \$419,000. Respondent applied a 2.65% per month time adjustment to the respective sale prices, which was derived from the paired sale of the second sale lot. The result was adjusted sale prices from roughly \$287,000 to \$497,000, which Respondent noted was higher than subject's current land value of \$233,800.

Though the Board appreciated Respondent's sales analyses, there were questions of comparability with some of the sale properties. Appellant reported two (2) of the sale residences had been remodeled since their original construction, whereas subject's

residence remains in original condition. There were also differences in the usable space between subject and two (2) of the unimproved sale lots, but Respondent's analysis did not include size adjustments. Also, while the Board understands how Respondent determined the 2.65% per month time adjustment applied to the prices of the unimproved sale lots, the rate conflicts notably with the 1.5% per month rate Respondent testified would have been applied to the improved sales if a time adjustment had been used in that particular valuation model.

Most striking to the Board, however, was Respondent's apparent lack of recognition for the unusable steep portion of the subject lot. While the slope impacts other parcels situated along the canal, many owners have addressed the issue by installing retaining walls or other similar-type remedial measures, thereby increasing the usable acreage on those parcels. Appellant explored installing a retaining wall on the subject property but found the \$100,000 estimated cost prohibitive. Despite the rather substantial improvements to these other lots along the canal, subject's land value is the same, at \$233,800. Admittedly, subject's slope issue could be remedied, but for purposes of assessment, ". . . the actual and functional use shall be a major consideration when determining market value" Idaho Code § 63-208(1). Therefore, the subject property must be assessed "as-is," which is a .25 acre parcel with roughly .17 usable acres.

Appellant provided land value assessments of \$137,700 for two (2) nearby parcels with approximately the same amount of usable space as subject and argued subject's land value should match. While similar in size, the comparative parcels did not enjoy the same views as subject, nor the water influence provided by the large canal. As such, the Board was not persuaded subject's land should be valued the same as the comparative

lots. Instead, the Board concluded a land value of \$196,400 reasonable in this particular instance.

Pursuant to Idaho Code § 63-511, Appellant bears the burden of establishing error in subject's assessed value by a preponderance of the evidence. Given the record in this matter, the Board found the burden of proof satisfied, though did not find sufficient support for the value petitioned by Appellant. As most owners along the canal have invested notably to overcome the impact of the slope, the steepness issue is somewhat unique to the subject property, for which consideration should be given in the Board's view.

Based on the above, the decision of the Ada County Board of Equalization is modified to reflect a decrease in value of subject's improvements to \$275,400 with no change to the value of the land.

FINAL ORDER

In accordance with the foregoing Amended Final Decision, IT IS ORDERED that the decision of the Ada County Board of Equalization concerning the subject parcel be, and the same hereby is, MODIFIED to reflect a decrease in total valuation to \$509,200, with \$233,800 attributable to the land and \$275,400 to the improvements.

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 13th day of February, 2023.