

BEFORE THE IDAHO BOARD OF TAX APPEALS

DESERT SUN INVESTMENTS, INC.,	)	
	)	
Appellant,	)	APPEAL NO. 22-A-1231
	)	
v.	)	FINAL DECISION AND ORDER
	)	
BANNOCK COUNTY,	)	
	)	
Respondent.	)	
	)	
	)	
	)	

---

**COMMERCIAL PROPERTY APPEAL**

This appeal is taken from a decision of the Bannock County Board of Equalization modifying an appeal of the valuation for taxing purposes on property described by Parcel No. RPRPPOC045400. The appeal concerns the 2022 tax year.

This matter came on for hearing December 15, 2022, in Pocatello, Idaho, before Board Member Leland Heinrich. James and Jeri Spinner appeared at hearing for Appellant. Bannock County Assessor Anita Hymas 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 commercial property.**

**The decision of the Bannock County Board of Equalization is modified.**

FINDINGS OF FACT

The assessed land value is \$22,500, and the improvements' value is \$117,148, totaling \$139,648. Appellant does not contest subject's land value, however, contends the correct value of the improvements is \$88,343, totaling \$110,843.

The subject property is a .103 acre lot located in Pocatello, Idaho. The property is improved with a 2,108 square foot residence which has been converted into commercial office space. The building contains 1,308 finished square feet above-grade and a 720 square foot unfinished basement.

Appellant challenged subject's current assessed value and argued the condition of the structure was not adequately considered. In support of a lower valuation, Appellant offered photographic evidence and detailed multiple condition issues plaguing the subject residence. Appellant described a general lack of updating in the bathroom and other finished areas of the building. Appellant also detailed two large structural cracks in the foundation that readily leak water and have caused damage to the structure and the interior. Appellant has considered the repair of these cracks to be cost prohibitive as a deck and concrete patio would have to be removed, and eight (8) feet of excavation would be needed to access the cracks from the exterior. Respondent stated the basement contributed only \$16,000 of the structure's total value of \$117,148 and was therefore adequately valued for its condition.

Appellant presented the neighboring property's assessment as additional evidence subject is assessed above fair market value. This property, assessed at \$118,000, was also included in Respondent's analysis, as Sale No. 1. Appellant noted this property has more square footage, a larger lot, and does not have the same physical detriments as subject. Appellant asserted subject's value should be considerably less than this property. Respondent agreed this property likely did not share subject's detriments.

Respondent expressed difficulty in finding recent sales of residences converted to office or commercial space. As such, four (4) properties were presented with sale dates

ranging from 2018 to 2020. Sales No. 1 through 3 were the closest in proximity to subject and were therefore given the most weight in Respondent's analysis. The sale properties ranged in size from 1,830 square feet to 2,688 square feet and sold for prices between \$157,000 and \$173,000. Respondent reported an average sale price of roughly \$137 per square foot compared to subjects assessed value of roughly \$101 per square foot.

### CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of market value in fee simple interest or, as applicable, a property's exempt status. This Board, giving full opportunity for all arguments and having considered all the testimony and documentary evidence submitted by the parties, 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. Idaho Code § 63-201 provides the following definition,

“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. *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 the differences in property characteristics between subject and the sale properties.

Appellant provided photographs and testimony detailing the extent of subject's physical depreciation. While no evidence was offered as to the cost to cure the defects or the specific impact on market value caused by such conditions, the Board does agree a lack of consideration for these items appeared to be present in subject's current assessment.

In support of subject's current assessment, Respondent utilized a sales comparison approach. Respondent provided information on four (4) sales, one (1) sale which occurred in 2018, two (2) which occurred in 2019, and one (1) which occurred in 2020. Of concern to the Board was the lack of information regarding characteristics of the sale properties. The data was limited to square footage, sale price, sale date, and 2022 assessed values. Respondent did not share information as to the age, quality, or condition of the associated improvements. Additionally, no time adjustments were applied to bring the sale prices current to the relevant date of valuation. While the Board understands it can be difficult to produce sales with high levels of comparability for unique properties, it is unclear how the sales provided by Respondent correlated to subject's specific value. The Board would have preferred more explanation of the relationship between the sales and the subject's assessed value.

In appeals to this Board, pursuant to Idaho Code § 63-511, the burden is with Appellant to establish subject's valuation is erroneous by a preponderance of the evidence. Given the evidence presented in this matter, the Board finds the burden of proof satisfied. Appellant's value conclusion was found to represent the better supported and

more thorough analysis of subject's current market value, considering the structure's physical detriments where Respondent's analysis did not. By contrast, the Board found a number of concerns with different aspects of Respondent's sales comparison and cost approach models. Based on the information available, the Board will reduce subject's assessed market value to \$110,933. The decision of the Bannock County Board of Equalization is modified accordingly.

#### FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Bannock County Board of Equalization concerning the subject parcel be, and the same hereby is, MODIFIED, setting the assessed value at \$110,933, with \$22,500 attributable to the land and \$88,433 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 that under certain circumstances the above ordered value for the current tax year shall not be increased in the subsequent assessment year.

DATED this 25<sup>th</sup> day of April, 2023.