BEFORE THE IDAHO BOARD OF TAX APPEALS

ALAN AND DIANE EBORALL FAMILY TRUST, Appellant, v. KOOTENAI COUNTY, Respondent.	)))))))))))	APPEAL NO. 22-A-1164 FINAL DECISION AND ORDER

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Kootenai County Board of Equalization modifying the valuation for taxing purposes of a property described by Parcel No. H59120020030. The appeal concerns the 2022 tax year.

This matter came on for hearing October 14, 2022, in Post Falls, Idaho, before Board Member Kenneth Nuhn. Denise Hall represented Appellant at hearing. Appraisal Manager Troy Steiner 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 residential property.

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

FINDINGS OF FACT

The assessed land value is $172,500, and the improvements' value is $762,228, totaling $934,728. Appellant agrees with the land value, however, contends the correct improvements' value is $561,500, totaling $734,000.

The subject property is located in the Leisure Park subdivision in Hayden, Idaho. Leisure Park is a Planned Unit Development (PUD) for owners aged forty (40) or older which has developed though multiple phases over the last thirty-six (36) years. The final lots were developed last year. The parties characterized Leisure Park as a well maintained development with a large community clubhouse and a diverse mix of single-family residences, condominiums, and patio homes. All residences in the subdivision are single-level designs constructed between 1986 and 2021, with a typical lot size of roughly .20 acres.

The .807 acre subject lot is improved with a 3,095 square foot three (3) bedroom, two (2) bathroom residence constructed in 1997. The property is further improved with an oversized 2,332 square foot three (3) car garage. While the residence is a custom build, it has not been updated since it was constructed, so the fixtures and finishes are original. Due to the uniquely large size compared to the rest of the subdivision, both parties described subject's improvements as over-built, or superadequate, for the neighborhood.

Appellant cited several factors argued to restrict the pool of potential buyers, and thus negatively influence subject's market value. Appellant explained many buyers in subject's age-restricted development are retired, living on fixed incomes, and typically conservative in their purchase decisions. Appellant shared many buyers in this market are seeking properties with little deferred maintenance and an easily managed yard area. Appellant noted the subject property is nearly the polar opposite of the typical buyer's preferences in the neighborhood, which in Appellant's view restricts subject's marketability, and in turn the market value.

In support of its value request, Appellant developed three (3) separate Comparative Market Analyses (CMAs) using sales data from 2021. The first CMA included five (5) sales from other mid-range subdivisions in Hayden. All the sale residences were single-level designs with basements and ranged in total living area from 2,522 to 3,183 square feet. Sale prices ranged from $545,500 to $645,000. Each sale was compared to the subject property, and appraisal adjustments were made for differences in property characteristics including age, finished living area, bedroom and bathroom count, lot size, location, and others. Appellant concluded adjusted sale prices from $408,532 to $597,350, with a mean of $547,736. Though Appellant disagreed with the 2.5% per month time adjustment factor advocated by Respondent, Appellant applied it to the respective sale prices and calculated a time-adjusted price range from $415,407 to $695,010, and a mean sale price of $610,513.

Appellant's next CMA evaluated four (4) sales from several higher-end subdivisions in town. The sale residences were multi-level designs constructed between 1997 and 2005, and ranged in total size from 2,668 to 3,030 square feet. All the sale residences had higher bathroom counts and three (3) of the four (4) also enjoyed superior bedroom counts. Sale prices ranged from $680,000 to $879,000. After adjusting for differences in property characteristics, Appellant determined adjusted sale prices from $626,325 to $710,915. Factoring in the same 2.5% per month time adjustment as in the prior CMA, Appellant calculated time-adjusted prices from $668,853 to $836,853, with a mean of $734,522.

Appellant's final CMA was comprised of four (4) sales from subject's Leisure Park subdivision. The sale residences shared the same bedroom and bathroom counts as subject, however, all the dwellings were smaller in size, ranging from 1,785 to 2,302 square feet, and in lot size, from .17 to .29 acres. Sale prices ranged from $437,000 to $590,000, with adjusted prices from $573,500 to $686,500. After application of the time-adjustment factor, Appellant concluded time-adjusted prices from $666,363 to $716,000, with a mean sale price of $698,469.

Respondent explained due to the subject property's atypically large residence, garage, and lot, several additional adjustments were included in the valuation. The first adjustment was a 50% premium applied to the lot value because the size is more than double the typical lot in the subdivision. Respondent also reported a downward 25% adjustment to account for the superadequacy of the residence and garage[1].

With respect to subject's assessed value, Respondent first discussed the development of the time-adjustment factor used in its valuation analysis. Respondent explained the Kootenai County housing market has seen unprecedented appreciation over the past couple years. It was noted the Federal Housing Finance Agency ranked Idaho the 3rd fasted appreciating market over the course of 2021. According to Respondent, the Coeur d'Alene Multiple Listing Service reported median sale prices in Kootenai County increased by roughly 37% to 50%, depending on location, with Hayden realizing a nearly 39% increase in median house price. Respondent, after analysis of more than 5,000 sales, identified a more conservative 30% annual appreciation rate, or 2.5% per month, which rate was used in its valuation analyses.

Recognizing Leisure Park is unique in the marketplace, Respondent's first valuation model was restricted to sales located within the development. Of the sixteen (16) total sales in the subdivision during 2021, Respondent selected four (4) regarded as most comparable to the subject property. Though the sale residences were notably

[1] Respondent stated the 25% superadequacy (obsolescence) adjustment was applied to both the residence and the garage, however, subject's ProVal printout reflects only the garage receiving the adjustment, not the residence.

smaller than subject, ranging in size from 1,785 to 2,302 square feet, they shared the same age, as well as bedroom and bathroom counts. Sale prices ranged from $437,000 to $590,000. Respondent compared each sale property to subject and made adjustments for date of sale, finished living area, construction quality, acreage, condition, and garage size, resulting in adjusted prices from $837,596 to $906,040.

In an effort to find sales more similar to the subject property, Respondent expanded the geographic scope of its model to include sales from other developments in Hayden. This analysis included three (3) sales from the latter part of 2021 located in subdivisions regarded as superior to Leisure Park. One (1) sale residence was a two (2) level model, and the others were single-floor designs. The residences varied in size from 1,754 to 3,468 square feet and in age from thirty-two (32) years to forty-two (42) years. Sale prices stretched from $752,500 to $1,065,000. After all adjustments, Respondent determined adjusted prices from $902,459 to $956,212. Given subject's distinctiveness in the neighborhood, and the range of value indicated by the sales, Respondent maintained the current valuation of $934,728 was reasonable.

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. 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). 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.

Both parties developed multiple sales comparison models, each with direct comparisons between the subject property and several sale properties. In addition to time adjustments, the parties both made appropriate appraisal adjustments to the respective sales for differences in property characteristics compared to subject. These thorough and detailed efforts by the parties were much appreciated by the Board.

While the parties employed similar appraisal methodology in their respective valuation models, the results varied widely. Respondent's first model utilized four (4) sales from subject's subdivision. Though similar in location and single-level design, the sale properties resembled subject in no other meaningful way. The sale residences were between roughly 800 and 1,400 square feet smaller than the subject residence, and none had garages or outbuildings remotely similar in size to subject's 2,332 square foot garage. The vast differences naturally necessitated rather large adjustments in Respondent's analysis. Indeed, net adjustments ranged from 53.5% to 97%. This of course is not surprising in light of subject's unmatched size and general uniqueness in the neighborhood. There is simply no peer property in Leisure Park.

The same was demonstrated in Appellant's analysis of sales from the subdivision, which also required notable adjustments for physical differences, from 16% to 36% on a net basis. While the Board is well aware location is a key driver of value and is the primary reason neighborhood sales were included, the parties' analyses reveal that when it comes to the subject property, location is less important for developing a credible estimate of market value. Physically, the subject property stands alone in the subdivision. Therefore, it is necessary to expand the geographic scope in search of sale properties with more comparable physical characteristics. The huge adjustments required to the sales from within the subdivision rendered the parties' respective value conclusions inherently unreliable. As such, the Board afforded minimal weight to the valuation models of the Leisure Park sales.

The parties also apparently recognized the weaknesses in limiting the data strictly to sales from the subdivision, so developed alternative models using sales outside the development. These valuation models were better received by the Board, though there were also questions concerning the comparability of some of the sale properties. For instance, Respondent's data included two (2) sales of single-level residences with similar bedroom and bathroom counts, but were only 1,754 and 2,228 square feet in size, whereas the subject residence is 3,095 square feet. Appellant's sale residences were relatively comparable to subject's size, but all were multi-level designs. These are key differences which need to be factored into the analysis. Not surprisingly, neither party found sales with attached garages approaching the size of subject's garage, though two (2) of Respondent's sale properties included sizeable detached garages. With the exception of one (1), all the sale lots offered by the parties were much smaller than subject's .81 acres. In short, while the sale properties outside the neighborhood included in the parties' analyses were more physically comparable to subject than the sale properties from the subdivision, these additional sales further illustrate the singularity of the subject property in the local marketplace.

Though subject is distinctive in size and single-level design, the garage is unmatched in the market. It is an undoubtedly superadequate improvement compared to anything else in the record. Respondent stated a downward 25% functional obsolescence was applied to the garage's valuation due to its excessive size, but it was not clear how that figure was concluded or if it was adequate. One concern from the Board's perspective was Respondent's application of a flat per-square-foot rate to the entirety of the garage's 2,332 square feet. Generally speaking, the contributory value per square foot decreases as the size of the improvement increases above what is considered typical or normal in the market. Once the size of the structure reaches a size suitable to accommodate the use for which it is intended, additional footage becomes excess and carries less value per square foot. Subject's garage size is clearly atypically large, and though that additional space certainly adds value, it is difficult to accept the space contributes value at the same rate per square foot as the core footage. In the end, the structure is simply a garage which affords the same basic use and utility as a more typically sized garage, there just happens to be more of it. In the Board's view, Respondent's standard garage valuation model is not well-suited to produce a reliable market value estimate for a garage improvement of subject's stature.

Pursuant to Idaho Code § 63-511, Appellant bears the burden of establishing error in subject's valuation by a preponderance of the evidence. In light of the evidence presented in this matter, the Board found the burden of proof satisfied, though did not find sufficient support for the value petitioned by Appellant. Based on the available sales information, and giving consideration to subject's atypically large residence, its superadequate garage, and the general market resistance to age-restricted developments, the Board concluded a value of $800,000 for the subject property. The decision of the Kootenai County Board of Equalization is modified accordingly.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Kootenai County Board of Equalization concerning the subject parcel be, and the same hereby is, MODIFIED to reflect a decrease in total value to $800,000, with $172,500 attributable to the land and $627,500 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 16th day of March, 2023.

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