

BEFORE THE IDAHO BOARD OF TAX APPEALS

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| JAY THOMSON, |) | |
| |) | |
| Appellant, |) | APPEAL NO. 22-A-1197 |
| |) | |
| v. |) | FINAL DECISION AND ORDER |
| |) | |
| NEZ PERCE COUNTY, |) | |
| |) | |
| Respondent. |) | |
| |) | |
| _____ |) | |

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Nez Perce County Board of Equalization modifying the valuation for taxing purposes of property described by Parcel No. RPL17400120040. The appeal concerns the 2022 tax year.

This matter came on for hearing November 4, 2022, in Lewiston, Idaho, before Board Member Kenneth Nuhn. Appellant Jay Thomson was self-represented. Nez Perce County Assessor Daniel Anderson 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 Nez Perce County Board of Equalization is affirmed.

FINDINGS OF FACT

The assessed land value is \$59,000, and the improvements' value is \$534,603, totaling \$593,603. Appellant agrees with the land value, however, contends the correct improvements' value is \$461,000, totaling \$520,000.

The subject property is a .26 acre residential parcel located in the Valley Vista Heights subdivision in Lewiston, Idaho. The property is improved with a five (5) bedroom, two and three-quarter (2¾) bathroom single-story residence constructed in 1997. The residence

totals 3,446 square feet in size, with 1,737 square feet on the main level and 1,709 square feet in the daylight basement, of which 1,600 square feet are finished. The residence also includes a 975 square foot attached garage.

Appellant characterized subject's residence as a "basic house" with standard interior finishes, such as formica countertops and recessed kitchen cabinets. According to Appellant, subject's residence remains primarily in original condition. Aside from some of the floor coverings, no other updates have been made to the residence since it was constructed. Appellant pointed out the roof, HVAC system, and remaining carpeting were all original and nearing the end of their useful lives.

Appellant was primarily concerned subject was assessed inequitably compared to other Class 5 properties in the neighborhood. In this regard, Appellant provided assessment information for seventeen (17) properties situated along Knollcrest Court, the street on which subject is located, and Crestline Circle, the next block to the north. The data was sorted into three (3) groups based on class rating. The data set included five (5) Class 5 residences like subject, eight (8) Class 6 residences, and four (4) Class 7 residences. Appellant calculated the average increase in assessed value for each class type. Class 5 residences increased 45% on average, Class 6 residences increased 38%, and Class 7 residences saw an average increase of 4%. Subject's current assessed value is roughly 56% higher than the 2021 valuation, which in Appellant's view was inequitable compared to the average increases across the three (3) classes. Using the average increase of 45% for Class 5 residences, Appellant calculated a value of \$561,679 and requested subject's assessed value be reduced accordingly.

Appellant additionally offered information on six (6) sales from the general neighborhood which transpired during 2021. The sale lots were generally similar to subject in terms of size, ranging from .18 to .31 acres. The sale residences were all single story designs with daylight basements, ranging in gross area from 2,932 to 4,384 square feet. There were three (3) Class 5 sale residences constructed from 1989 to 2005, and three (3) were Class 6 structures constructed from 1994 to 1999. The sale properties with Class 5 residences sold for \$360,000, \$436,200, and \$512,000, while the Class 6 residences sold for \$455,000, \$470,000, and \$479,900.

Respondent first pointed out subject's initial valuation for 2022 was approximately \$606,000 and was later reduced to the current \$593,605 value following a site visit to the property by the assessor's office. Respondent also highlighted two (2) apparent outliers in Appellant's Class 5 data set which should be removed from the analysis. The first was a 1,946 square foot residence which increased only 8% over the prior valuation. Respondent explained this was a single-level residence so it is a different property type and therefore not comparable to the subject residence. The other property, which experienced a 39% increase in valuation, was noted to be a Class 6 residence and thus should be removed from the Class 5 group. The remaining Class 5 residences realized value increases of 56%, 55%, and 56%, which Respondent stressed were nearly identical to the roughly 56% increase in subject's valuation for 2022. And according to Respondent, the combined assessed valuation of all 296 Class 5 residences with the same Parcel Type 22 designation in subject's market area increased 54% over the prior year, from approximately \$95,000,000 to nearly \$150,000,000 in total value. Though the increase was notable, Respondent maintained subject was assessed consistently and equitably with other like properties in the area.

In more direct support of subject's valuation, Respondent developed a comparative analysis using four (4) sales from 2021. The sale properties shared the same class and parcel type ratings as subject, and the residences were all single-story designs with daylight basements roughly similar to subject in gross square footage. The sale residences were likewise similar to subject in bedroom and bathroom counts, but were somewhat older, having been constructed from 1973 to 1992. Sale prices ranged from \$360,000 to \$455,700. Respondent first applied an upward 37% annual time trend factor to the respective sale prices to reflect market pricing levels on the relevant January 1, 2022, assessment date. This yielded time-adjusted sale prices from approximately \$435,000 to \$555,000. Each sale was then compared to the subject property and appraisal adjustments were made for differences in property characteristics such as finished living area, age, and garage size. After all adjustments, Respondent calculated adjusted sale prices from roughly \$595,000 to \$660,000 and noted subject's current valuation of \$593,603 fell just below the range indicated by the comparative sales analysis.

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. In *Merris v. Ada Cnty.*, the Idaho Supreme Court identified the sales comparison approach, the cost approach, and the income approach as the three (3) primary methods for determining the market value of real property. 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 the property characteristics between subject and the sale properties.

Appellant offered two (2) sets of data: one (1) consisting of six (6) recent sales, and one (1) comprised of seventeen (17) neighborhood property assessments. While the Board appreciated the information, there were some concerns with aspects of the analyses. Appellant's sale properties were generally comparable to subject in many key areas, as evidenced by Respondent's inclusion of two (2) of the same sales in its own valuation model. The problem from the Board's perspective was the absence of any adjustments to the sales, particularly the lack of a time adjustment. Idaho's real estate market in general has been spotlighted in numerous government and industry publications as one of the fastest appreciating markets in the United States during 2021. Nez Perce County was no different, with Respondent reporting a 37% annual rate of price appreciation, or roughly 3% per month over that period. Applying this time adjustment factor to Appellant's reported sale prices notably increases the indicated value range from approximately \$360,000 to \$510,000, to a range from roughly \$450,000 to \$630,000, with a median price of \$565,000. Subject's

current assessed value of \$593,603 is less than five percent (5%) above the median sale price. Of course, the range and median would likely skew further upward if adjustments were also made for differences in physical property characteristics, especially the somewhat newer age and larger size of subject's residence compared to most of the sale residences. This would bring subject's valuation even closer to the median and add another degree of reliability to the analysis.

As for the assessment information shared by Appellant, the Board did not identify any inequitable treatment of the subject property. In fact, after removing the two (2) outliers from group of Class 5 residences, the remaining properties in the group experienced value increases of 55.6%, 55.3%, and 56.3%, which is consistent with the 56.6% increase in subject's valuation. This rate is also consistent with the increased values of all Class 5 sales in subject's market area, which ranged from roughly 51% to 83%, as well as the total value increase of the entire Class 5 category from approximately \$95,000,000 to \$150,000,000, a 54% increase.

With respect to inequitable assessment treatment, the Idaho Supreme Court observed,

While the courts will not attempt to correct mere mistakes or errors of judgment on the part of the assessor or board of equalization, where intentional, systematic discrimination occurs, either through undervaluation or through overvaluation of one property or class of property as compared to other property in the county, the courts will grant relief.

Anderson's Red & White Store v. Kootenai Cnty., 70 Idaho 260, 264, 215 P.2d 815, 817 (1950).

Given the assessment information provided by both parties, which repeatedly showed value increases in excess of 55%, there was nothing to support the conclusion subject's current assessed value was the result of intentional or systematic discrimination by the

assessor's office. Quite the opposite, subject's value increased at approximately the same rate as all other Class 5 properties in the Parcel Type 22 category.

Having concluded subject's current valuation is equitable with other like properties, there is no need to provide a deep analysis of Respondent's sales comparison model. That being said, the Board found the sales included in Respondent's model generally representative of the subject property, and likewise found the comparative adjustment analysis itself consistent with accepted standards of modern appraisal. In all, the analysis was well received by the Board and was found supportive of subject's current valuation.

As the party initiating this appeal, Idaho Code § 63-511 places the burden of establishing error in subject's valuation by a preponderance of the evidence on Appellant. Though the Board understands Appellant's equity concerns, the record simply did not support the conclusion subject suffered disparate or otherwise inequitable assessment treatment. Subject's assessed value was consistent with the neighborhood sales information, and where the assessment data revealed no inequitable assessment, the Board found no good cause to disturb the current valuation.

The decision of the Nez Perce County Board of Equalization is affirmed.

FINAL ORDER

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

DATED this 19th day of April, 2023.