

BEFORE THE IDAHO BOARD OF TAX APPEALS

BYRON WAGNER,)	
)	
Appellant,)	APPEAL NO. 22-A-1172
)	
v.)	FINAL DECISION AND ORDER
)	
KOOTENAI COUNTY,)	
)	
Respondent.)	
)	
)	
)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Kootenai County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. 014400010150. The appeal concerns the 2022 tax year.

This matter came on for hearing October 31, 2022, in Post Falls, Idaho, before Board Member Kenneth Nuhn. Representative Toni Caywood appeared at hearing for Appellant. Kootenai County 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 rural residential property.

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

FINDINGS OF FACT

The assessed land value is \$2,017,580, and the improvements' value is \$259,140, totaling \$2,276,720. Appellant does not dispute the improvements' value but contends the correct land value is \$1,114,530, totaling \$1,373,670.

The subject property is a .50 acre parcel located in the Coeur d'Alene Lagoon subdivision in Coeur d'Alene, Idaho. The property has 114.9 front feet along the south

side of the Spokane River. Subject is improved with a 2,790 square foot residence built in 1958, which includes 1,744 square feet on the main floor and 1,046 square feet in the basement, of which 710 square feet are finished. The property is further improved with a 1,152 square foot detached garage built in 1991. Subject further includes a 520 square foot fixed waterfront pier with at least two (2) boat tie-ups.

Appellant explained subject's land is assessed at \$17,560 per front foot. To support the assertion the land is overvalued, Appellant shared five (5) land assessments from subject's neighborhood. Appellant claimed all the comparable properties had water levels similar to subject and were on the south side of the Spokane River with pier docks which are only usable from approximately mid-June to mid-September like subject. The properties were within one-quarter ($\frac{1}{4}$) mile of subject, had between 95.4 and 525.6 front feet, and had land values between \$5,649 and \$9,760 per front foot. Appellant's requested land value for subject would result in a front foot valuation rate of \$9,700.

Appellant acknowledged the comparable properties were on a canal slightly off the river, but argued the location was "better" because this area doesn't experience the waves caused by boats going through the main channel like subject does. Appellant also asserted Property Nos. 1 and 5 were the strongest indicators subject's land was over-assessed. Property No. 1 regarded a 1.27 acre parcel with 472 front feet and a land assessed value of \$3,071,000, or roughly \$6,506 per front foot. Property No. 5 was a 1.07 acre parcel with 525.6 front feet and a land assessment of \$2,969,120, or roughly \$5,649 per front foot. These two (2) properties contained the most river frontage of the properties Appellant provided.

Respondent stated subject's neighborhood consists of 147 riverfront parcels along the south side of the Spokane River, and 50 of these are on subject's street. A typical lot in the area has 50 to 100 front feet. Respondent shared that frontage below 50 feet typically sees an increase in the valuation rate per front foot, where frontage over 100 feet typically sees a rate reduction. Additionally, there are different rates along the river due to water access, topography, and landscaping. For example, some properties have steep, granite waterfronts and need improvements such as a stair system to access the frontage. Subject is a level lot with a gentle slope to the water and grass to the water's edge. Other than waterfront access, parcels are given an overall characteristic rating (OCR) that reflects their quality level, considering landscaping and improvements such as asphalt, retaining walls, or lack thereof. Respondent stated subject's OCR is four (4), which includes a +15% premium to account for its full landscaping, covered parking, and other characteristics.

Respondent next spoke to some concerns regarding Appellant's analysis. Appellant focused on assessed values of properties on the "canal" portion of the river, which Respondent explained typically sell for less than properties located among the main channel of the river. Respondent explained the properties Appellant used were located in an area that is not comparable to subject's due to different water frontage and access, including rocky granite shores and lower water levels throughout the year. Respondent also claimed subject's neighbors on either side have similar assessment rates per front foot as subject, though no specific assessment data was provided.

Respondent stated fourteen (14) sales occurred during 2021 in subject's neighborhood and provided limited information regarding three (3) of them within the

context of a ratio study. Respondent explained a ratio study divides the assessed value of a property by its time-adjusted sale price to determine the ratio at which a property was assessed according to its sale price. Respondent shared the neighborhood's ratio for 2021 was only 69%, which was far below the State Tax Commission's (STC) required minimum assessment level and indicated values needed to be trended upward for 2022. For 2022, applying an upward market trend factor to the fourteen (14) sales in subject's neighborhood resulted in a ratio of 97%, which was within the STC's requirements. Respondent declared this demonstrated properties in subject's neighborhood had assessments more aligned with their market values, as required by Idaho statute.

Sale No. 1 was approximately .40 miles west of subject and sold in January 2021 for \$1,250,000, which Respondent time-adjusted to the lien date of January 1, 2022, resulting in a 2022 market value of \$1,617,708. Respondent utilized a 2.5% monthly time adjustment for 2021 sales. The property was .41 acres with an OCR of three (3) and was improved with a 1,978 square foot residence built in 1967 with an effective build year of 2010. This property had 70 front feet and a land assessment of \$1,190,000, or roughly \$17,000 per front foot. Respondent stated this property had similar views as subject and was located on the same street.

Sale No. 2 was eleven (11) lots west of subject on the same street. It sold in June 2021 for \$1,749,000, or a time-adjusted sale price of \$2,020,095. The property was .39 acres with an OCR of four (4) and was improved with a 1,710 square foot residence which Respondent stated was similar to subject's. It was built in 1971 and had an effective build year of 2010. This property had 76.7 front feet and a land assessment of \$1,499,485, roughly \$19,550 per front foot.

Sale No. 3 was .90 miles west of subject and sold in April 2021 for \$1,800,000, a time-adjusted sale price of \$2,161,500. The property was .82 acres with an OCR of four (4) and was improved with a 984 square foot residence built in 1968 with an effective build year of 1995. This property had 147.65 front feet and a land assessment of \$1,011,248, which is roughly \$16,100 per front foot. Overall, Respondent asserted subject's assessment is fair and equitable.

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.

Instead of developing a valuation model using one (1) of the accepted appraisal approaches above to support a reduction in subject's value, Appellant relied on a comparison of assessed values. The Board had many concerns with this analysis, the main being that a comparison of assessed value is not a recognized appraisal approach which would lead to an accurate estimation of subject's market value. The Board's additional concerns closely mirrored Respondent's. All five (5) properties were located on a "canal" and not along the main river channel like subject. Four (4) were also on a different street, despite there being fifty (50) parcels on subject's street which could have been considered.

Respondent also did not provide a traditional sales comparison analysis, attempting instead to demonstrate subject's land value was equitable. Respondent provided limited information on three (3) sales from 2021 which were similar to subject in terms of OCR, water frontage and topography, and location along the main channel of the Spokane River. While the Board prefers a more thorough comparative analysis which includes adjustments for differences, these sales represent the only market data in the record. Respondent additionally provided assessed land values along the main channel of the river as subject which demonstrate subject is not inequitably assessed.

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 burden of proof was not met in this instance. Appellant provided no market information to demonstrate subject's value was overstated, and solely relied on assessed values of parcels

demonstrated by Respondent to be incomparable with subject. While the upward adjustment to assessed property values along the riverfront is extraordinary, it appears to reflect the unprecedented demand for waterfront property in the county as demonstrated by Respondent's limited sales data. In all, Respondent's analysis was found to be stronger where it utilized market studies and recent sales of similar waterfront properties. The Board will uphold the Kootenai County Board of Equalization's decision.

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, AFFIRMED.

DATED this 16th day of March, 2023.

IDAHO BOARD OF TAX APPEALS