

BEFORE THE IDAHO BOARD OF TAX APPEALS

SANDRA AND DENNIS CAPPS,)	
)	
Appellants,)	APPEAL NOS. 23-A-1244
)	through 23-A-1247
v.)	
)	FINAL DECISION AND ORDER
JEROME COUNTY,)	
)	
Respondent.)	
_____)	

RESIDENTIAL PROPERTY APPEALS

These appeals are taken from decisions of the Jerome County Board of Equalization denying appeals of the valuations for taxing purposes on properties described by Parcel Nos. RPJ00000183476, RPJ00000183479, RPJ13702270151, and RPJ13702270152. The appeals concern the 2023 tax year.

These matters came on for hearing October 24, 2023, in Jerome, Idaho, before Board Member Leland Heinrich. Appellant Sandra Capps was self-represented. Jerome County Assessor Mark Swenson represented Respondent.

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

The issues on appeal concern the market values of four (4) improved residential properties.

The decisions of the Jerome County Board of Equalization are modified.

FINDINGS OF FACT

Parcel No. RPJ00000183476 (Appeal No. 23-A-1244)

The assessed land value of this .22 acre parcel is \$53,479, and the improvements' value is \$261,125, totaling \$314,604. Appellants contend the correct total value is \$200,016.

Parcel No. RPJ00000183479 (Appeal No. 23-A-1245)

The assessed land value of this .18 acre parcel is \$44,015, and the improvements' value is \$236,024, totaling \$280,039. Appellants contend the correct total value is \$200,016.

Parcel No. RPJ13702270151 (Appeal No. 23-A-1246)

The assessed land value of this .27 acre parcel is \$35,629, and the improvements' value is \$274,726, totaling \$310,355. Appellants contend the correct total value is \$200,016.

Parcel No. RPJ13702270152 (Appeal No. 23-A-1247)

The assessed land value of this .27 acre parcel is \$35,797, and the improvements' value is \$274,982, totaling \$310,779. Appellants contend the correct total value is \$200,016.

The subject properties are located in an unplatted residential subdivision in Jerome, Idaho. Each of the properties is improved with an identical 1,852 square foot duplex, constructed from 1998 to 2001. Each duplex unit is a two (2) bedroom, one (1) bathroom single-level floorplan with an attached garage.

Appellants were concerned with the roughly 100% increase in subjects' assessed values over the prior year's valuations and questioned whether adequate consideration was given to subjects' unique characteristics. Of particular concern was location, as the subject properties are located within an over 55 subdivision which was argued to restrict the pool of potential tenants. Appellants also explained tenants in an age-restricted development such as subjects' are often retirees on fixed incomes which limits the amount of rent that can be charged. It was further noted subjects are situated along a

private street, meaning owners along the street are responsible for all maintenance of the street, water and sewer lines, as well as snow removal. These additional maintenance costs were argued to diminish subjects' values in the marketplace compared to properties located on public streets for which the city is responsible for maintenance.

Appellants additionally characterized subjects' layouts as atypical and somewhat dysfunctional. To begin, there is no direct access from the residence to the attached garages. Instead of an access door inside the units or a door on the front of the units, the garages are only accessible from the rear of the units. Appellants also pointed out the laundry rooms are unheated attachments to the garages and can only be accessed through an exterior door, so tenants must go outside to do laundry. In Appellant's view, subjects' unconventional layouts negatively impact their market values.

In support of lower valuations, Appellants offered an independent fee appraisal of one (1) of the subject duplexes. In its sales comparison model, the appraisal considered three (3) recent duplex sales. Due to the lack of comparable duplex sales in Jerome, the appraisal relied on single-level duplex sales from the nearby City of Twin Falls. Sale No. 1 was a 2,112 square foot duplex constructed in 1994 with an attached garage for each unit situated on a .23 acre lot which sold for \$350,000 in November 2022. Sale No. 2 was the August 2023 purchase of a .32 acre parcel improved with a 1,728 square foot duplex constructed in 1968 for \$250,000. Sale No. 3 was the \$273,000 purchase in October 2022 of the .26 acre property improved with a 2,112 square foot duplex constructed in 1994 located adjacent to Sale No. 1.

The appraisal compared each sale property to the subject property and made adjustments for differences in gross building area, bathroom count, and garages. The

result was adjusted sale prices of \$328,500, \$268,000, and \$269,500 for the three (3) respective sales, and a concluded sales comparison approach value of \$269,500 for the subject property.

The appraisal additionally developed an estimate of value using a gross income multiplier model. To determine market rental rates, the appraisal analyzed three (3) rental duplex properties. The first was a 2,122 square foot duplex constructed in 1998 from subjects' subdivision with a monthly rental income of \$1,800. The other two (2) duplexes were the same Sale Nos. 2 and 3 included in the above sales comparison analysis. The respective rental rates were \$1,900 and \$2,400 per month. The rental properties were adjusted for differences in bathroom count and garages compared to the subject property, which yielded adjusted rental figures from \$1,600 to \$2,600 per month. Based on this range, the appraisal concluded subject's monthly rental income of \$1,700 was at market level.

The appraisal next sought to develop a gross rent multiplier using three (3) recent duplex sales. This analysis included Sale Nos. 1 and 2 from the sales comparison model, as well as a sale from January 2022 for \$490,000 for a duplex with a gross building area of 1,840 square feet and a monthly income of \$4,000. The appraisal calculated gross rent multipliers ranging from 122 to 135 and concluded a multiplier factor of 132 for the subject duplex, as the appraisal characterized subject as falling in the mid-range due to size, construction quality, and amenities. Applying the gross rent multiplier to subject's monthly rental income of \$1,700 yielded an indicated value of \$224,400 for the subject property.

In reconciling the two (2) above value indicators, the appraisal assigned primary weight to the sales comparison approach, ". . . as it best reflects buyer and seller reactions

within the local real estate market.” The appraisal ultimately concluded a value of \$269,500 for the subject property as of October 19, 2023. And because the subject duplexes are identical except for minor variances in age and lot size, Appellants contended the appraisal report should apply equally to each subject property. However, Appellants argued subjects’ values should be reduced to the midpoint between the values concluded in the income and sales comparison approaches, or roughly \$247,000 each.

Respondent likewise relied on recent duplex sales from Twin Falls in support of subjects’ valuations. Sale No. 1 concerned a 2,016 square foot duplex with attached garages constructed in 1995 which sold for \$417,000 in June 2022. Sale No. 2 was the same 2,112 square foot duplex as Sale No. 1 in Appellants’ appraisal report which sold for \$350,000 in November 2022. Sale No. 3 was the May 2022 purchase of a 2,430 square foot duplex constructed in 2005 for \$375,000. Respondent calculated an average price rate of nearly \$178 per square foot and an adjusted average rate of approximately \$176 per square foot after applying a -0.81% location adjustment due to subjects’ inferior location. The subject properties are assessed between roughly \$151 and \$170 per square foot, which Respondent argued was reasonable against the adjusted price data.

Respondent provided an additional analysis utilizing Appellants’ purchase of two (2) of the subject duplexes in July 2018 for \$165,600 each. Respondent used two (2) paired duplex sales to estimate a time adjustment to bring subjects’ purchase prices to current market levels. The first was a duplex which sold for \$130,000 in December 2016 and again for \$210,000 in December 2020, which equated to an overall increase of approximately 61%, or a 1.28% increase per month over the four (4) year period. The second paired sale concerned two (2) adjacent duplex properties which sold for \$750,000

in October 2020 and again in November 2021 for \$950,000, representing a 2.05% per month increase over the period. Respondent concluded a time adjustment factor of 1.5% per month and applied this rate to subjects' purchase prices, resulting in time-adjusted prices of \$299,736 each, or approximately \$162 per square foot. The current assessed values of these subject duplexes are \$280,309, or \$151.21 per square foot, and \$314,604, or \$169.87 per square foot, which Respondent's argued added further support for subjects' assessed values.

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, 2023, 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 three (3) primary approaches for determining market value include 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). Residential property is commonly valued using the sales comparison approach, which in simple terms involves a

comparison of recent sales of similar properties to the subject property, with appraisal adjustments made for differences in relevant property characteristics.

Both parties relied on sales of duplex properties in the general market area, though the respective analyses differed greatly. Appellants provided an independent appraisal of one (1) of the subject duplexes which included value estimates developed through both the sales comparison and income approaches. Respondent, by contrast, offered raw sales data concerning three (3) duplex properties with no direct comparisons to the subject properties. While the Board appreciated the parties' efforts to provide recent market data, there were some concerns with various aspects of the respective analyses.

One such concern with respect to Appellants' appraisal report was the September 26, 2023, date of valuation, which is nearly ten (10) months after the January 1, 2023, assessment date and therefore untimely for purposes of establishing subjects' market values on such date. That being said, most of the sales analyzed in the appraisal was from late 2022, which is timely and thus did factor in the Board's consideration of subjects' valuations.

The biggest concern with Respondent's analysis was the lack of any comparisons between subjects and the sale properties. The lack of adjustments for differences in property characteristics was also concerning because it was apparent that notable differences existed as evidenced by the fact all three (3) reported sale prices exceeded subjects' assessed values by roughly \$35,000 to \$102,000. In short, it was not clear how the unadjusted sale prices correlated to subjects' respective assessed values, which themselves vary by a range of nearly \$40,000 despite being identical in all respects other than negligible differences in age and lot size.

While the relevant determination in these appeals concerns subjects' total assessed values, it was difficult to ignore the variance in subjects' respective land values. Most curious was the two (2) smallest subject parcels, at .18 and .22 acres, were assessed the highest values of \$44,015 and \$53,479, respectively. The remaining subject parcels are both .27 acres in size and were assessed at \$35,629 and \$35,797. To the extent there were any differences in subjects' assessed land values, the Board would have expected the smaller parcels to have the lower land values, but the opposite occurred here.

In similar fashion, the market adjustment and depreciation factors Respondent applied to the improvements on the respective subject parcels varied widely. For example, the physical depreciation factors applied to the subject garages ranged from 0% to 80% despite only a four (4) year age difference between the oldest and the newest. The property records further revealed a market adjustment factor of 117% was applied to two (2) of the subject duplexes, while a 105% market adjustment was applied to the other two (2). Again, due to the highly similar ages of the subject properties, observing such variance in these adjustment factors was unexpected and raised questions of accuracy in subjects' valuations.

Between the parties, a total of five (5) duplex sales were offered, though one (1) of Appellants' sales transpired in mid-2023. Removing the lowest price sale from the data set, which was Appellants' untimely 2023 sale, as well as the highest priced sale, which was provided by Respondent, leaves an unadjusted price range from approximately \$129 to \$166 per square foot, with an average price rate of \$150 per square foot. Applying this rate to the 1,852 square foot subject duplexes yields an indicated value of roughly

\$278,000 for each, which the Board finds reasonable in this instance given the noted concerns with the parties' respective analyses.

Idaho Code § 63-511 places the burden on Appellants to establish subjects' valuations are erroneous by a preponderance of the evidence. Given the record in this matter, the Board found the burden of proof satisfied, but did not find adequate support for the values petitioned by Appellants. Based on the parties' timely sales information, the Board concluded subjects' assessed values are somewhat overstated, so will reduce the valuations to \$278,000 each. The decisions of the Jerome County Board of Equalization are modified accordingly.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decisions of the Jerome County Board of Equalization concerning the subject parcels be, and the same hereby are, MODIFIED, reducing the valuations to \$278,000 each, with \$36,000 attributable to the land, and \$242,000 to the improvements.

DATED this 7th day of February, 2024.