

BEFORE THE IDAHO BOARD OF TAX APPEALS

GRANITE INVESTMENTS, LLC,	)	
	)	
Appellant,	)	APPEAL NO. 23-A-1055
	)	
v.	)	FINAL DECISION AND ORDER
	)	
KOOTENAI COUNTY,	)	
	)	
Respondent.	)	
	)	
_____	)	

**COMMERCIAL 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. H045013025AF. The appeal concerns the 2023 tax year.

This matter came on for hearing October 5, 2023, in Post Falls, Idaho, before Board Member Kenneth Nuhn. Neal McClellan appeared at hearing for Appellant. Kootenai County Appraisal Manager Janice Ball 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 Kootenai County Board of Equalization is affirmed.**

FINDINGS OF FACT

The assessed land value is \$509,794, and the improvements' value is \$399,846, totaling \$909,640. Appellant agrees with the value of the improvements, however, contends the correct land value is \$231,822, totaling \$631,668.

The subject property is a .82 acre commercial parcel located in Hayden, Idaho. The property is improved with two (2) light industrial buildings, one (1) constructed in 1978 and the other in 1999.

Appellant was alarmed at the roughly 120% increase in subject's assessed land value, from approximately \$230,000 in 2022 to nearly \$510,000 for 2023, and questioned whether it was consistent with nearby land assessments and recent market activity. Appellant first shared assessment information for five (5) adjacent parcels. The first was a .85 acre improved commercial property with an assessed land value of \$240,536. Next was a .40 acre improved residential property with a land value of \$193,500. The third parcel was .97 acre mixed commercial and industrial property with a land value of \$311,506. The next property, with a land value of \$259,539, was a 1.36 acre improved residential parcel. Lastly was a .29 acre improved commercial parcel with an assessed land value of \$149,813. By contrast, subject's 2023 land value is assessed at roughly \$510,000, which Appellant argued was excessive compared to land assessments in the immediate neighborhood.

Appellant additionally offered information on four (4) sales, as well as their respective land assessments. Sale No. 1 was a 2.72 acre improved residential property which sold for \$850,000 in September 2022, with a reported assessed land value of \$348,703. Sale No. 2 concerned a .83 acre improved light manufacturing property. The property sold for \$695,000 in August 2022 and has an assessed land value of \$210,600. Sale No. 3 was the December 2020 purchase of a 1.17 acre light manufacturing property for \$625,000, with an assessed land value of \$370,127. Sale No. 4, which closed in June 2023, was the \$606,000 purchase of an improved residential property. Appellant reported

an assessed land value of \$259,539. Appellant again highlighted the variances between subject's assessed land value and the land valuations of the sale properties.

Respondent explained the increase in subject's assessed value was the result of a market trend applied to commercial parcels in the area. According to Respondent, a 38% trend factor was utilized, though it was not clear how the trend factor was applied given that the increase to subject's land value was more than triple the 38% figure cited by Respondent.

In more direct support of subject's land value, Respondent offered information on five (5) vacant commercial sales located within a couple miles of subject. The sale lots varied in size from roughly .90 acres to 1.66 acres and in sale price from \$699,575 to \$1,295,000 or ranging from roughly \$14 to \$33 per square foot. Subject's assessed land value is approximately \$510,000, or about \$14 per square foot, which Respondent regarded as reasonable against the available land sales.

Respondent additionally provided information on three (3) improved commercial sales from 2022 in support of subject's total valuation. Sale No. 1 was a .62 acre commercial parcel improved with a 1,236 square foot storage building constructed in 1990, which sold for \$460,000, or roughly \$372 per square foot. Sale No. 2 concerned a 5,360 square foot storage building constructed in 1994 situated on a .56 acre commercial lot which sold for \$720,000, or roughly \$134 per square foot. Last was the \$1,195,000, or roughly \$117 per square foot, purchase of a .95 acre parcel improved with a 10,200 square foot warehouse storage building constructed in 1975. By contrast, subject is a .82 commercial lot improved with a total of 7,700 square feet of light manufacturing and storage space with an assessed value of \$909,640, or roughly \$118 per square foot.

Appellant challenged the comparability of Respondent's sale properties to subject. Most concerning from Appellant's perspective were the locations of the sale properties. A couple of the sale properties were noted to be situated on corners at busy intersections with traffic lights, and another was noted to be across from a major retailer. Others were noted to enjoy frontage on Highway 95 or in professional office developments. In Appellant's view, only one (1) of Respondent's sales was relevant, as it was located near subject on the same street. This property was Respondent's improved Sale No. 2 above, which sold for \$720,000 in November 2022.

#### 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, 2023, 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). Commercial property is typically valued using the income approach or the sales comparison approach, or both.

Neither party offered an analysis using the income approach. And though Both parties provided sales information for the Board's consideration, neither party developed a traditional sales comparison approach model. As Appellant's concerns centered on subject's land value, both parties offered several recent sales of vacant commercial lots. While the vacant sales data was appreciated, the relevant question in this appeal is whether subject's total assessed value is at market level, not the allocation of that total value between the land and improvements. Property is typically purchased on a whole property basis, not by acquisition of the individual components. Even if such were not the case, the Board was not persuaded the parties' respective land sales represented the best indicators of subject's land value in this instance.

Of the three (3) vacant land sales submitted by Appellant, two (2) were notably larger lots than subject, at 2.79 and 9.76 acres. Without heavy adjustments, neither of these sale lots can be meaningfully compared to the subject property. Further, the 9.76 acre sale involved two (2) lots, which again would need to be adjusted for purposes of comparison with subject. Respondent's five (5) vacant commercial sales more closely approximated subject in terms of size, but in addition to general questions of comparability to the subject lot, three (3) of the sales involved multiple parcels. There was also a rather large spread between the sale prices, which ranged from a low of \$14.41 per square foot to a high of \$33.21 per square foot. Such a wide range suggests notable variances between the sale lots, but with the limited information in the record, it was not immediately

apparent what the key differences were. In all, the Board did not heavily weigh the parties' lot sales in its consideration of subject's assessment valuation.

Better received by the Board were the parties' improved sales, though there were some concerns. First, rather than using the reported sale prices, Appellant instead pointed to the assessed land values of the respective sale properties and argued subject's land value was too high. However, for myriad reasons, a comparison of assessed values is not a recognized appraisal approach and is not considered a reliable indicator of current market value. But even if such were not the case, two (2) of the sales provided by Appellant were residential properties, which is an entirely different property class and irrelevant to the question of subject's market value. Also, one (1) of the sales closed in December 2020, roughly two (2) years prior to the January 1, 2023, date of valuation in this appeal, which is rather stale for purposes of estimating current market value.

In similar fashion, the assessment information Appellant shared from subject's immediate neighborhood was not found persuasive evidence of current market value. Again, a couple residential properties were included in the data set, and other than location, it was not apparent what other similarities the properties might share with subject. In any event, where a comparison of assessed values is not a recognized approach to value, the assessment information was given minimal consideration by the Board.

Though the Board would have preferred a more traditional sales approach model, with direct comparisons between subject and the sale properties, the improved sales data shared by Respondent was found generally supportive of subject's valuation. The Board agrees with Appellant that Sale No. 2 is the most representative of subject. The .56 acre

lot and 5,360 square foot storage building were both somewhat smaller than subject's lot and buildings, but the property is located on the same block as subject. The property sold for \$720,000, or roughly \$134 per square foot in November 2022. Subject's assessed value is \$909,640, which appears reasonable given its larger lot and roughly 2,400 additional square feet of improvements.

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. Here, the Board did not find the burden of proof satisfied. Appellant relied primarily on a comparison of assessed values, and there were too many questions of comparability between subject and the sale properties to conclude subject's assessed value is erroneous. Respondent's sales data was found to be the better indicator of value in this instance. Accordingly, the decision of the Kootenai County Board of Equalization is affirmed.

#### 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 11<sup>th</sup> day of January, 2024.