

BEFORE THE IDAHO BOARD OF TAX APPEALS

MICHAEL SCHAUGHNESSY, JR.,	)	
	)	
Appellant,	)	APPEAL NO. 23-A-1117
	)	
v.	)	FINAL DECISION AND ORDER
	)	
BLAINE COUNTY,	)	
	)	
Respondent.	)	
_____	)	

**RESIDENTIAL PROPERTY APPEAL**

This appeal is taken from a decision of the Blaine County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. RPH03330000030. The appeal concerns the 2023 tax year.

This matter came on for telephonic (Zoom) hearing October 23, 2023 before Board Member Leland Heinrich. Appellant Michael Schaughnessy, Jr. was self-represented. Blaine County Assessor Jim Williams 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 Blaine County Board of Equalization is affirmed.**

FINDINGS OF FACT

The assessed land value is \$282,060, and the improvements' value is \$288,108, totaling \$570,168. Appellant contends the correct land value is \$190,396, and the improvements' value is \$280,108, totaling \$470,504.

The subject property is a .06 acre improved residential property located in the Myrtle Court Townhouses subdivision near downtown Hailey, Idaho. The property is

improved with a 1,152 square foot duplex-style townhome constructed in 1999 with an attached 400 square foot garage. Subject's garage attaches to the garage of the adjoining townhome, so the townhomes share no common interior walls.

Appellant contended subject's assessed value was excessive and offered a couple analyses in support of a lower valuation. One analysis was comprised of 2022 sales of attached townhomes located in Hailey, of which Appellant identified nearly thirty (30). The sale townhomes were two (2) and three (3) bedroom designs and ranged in size from 894 to 2,160 square feet, with an average size of 1,464 square feet. Sale prices stretched from roughly \$305,000 to \$957,000, or from approximately \$223 to \$496 per square foot. Appellant calculated an average sale price of roughly \$538,000 and an average price rate of \$370 per square foot. Applying the average price rate to subject's square footage, plus a 10% premium for subject's desirable location, the analysis yielded a value estimate of \$468,813 for the subject property.

Appellant's second analysis focused on three (3) attached townhome sales located within a few blocks of downtown Hailey. Sale No. 1 was the May 2022 purchase of a 1,160 square foot townhome constructed in 1980 with no garage for \$355,000, or roughly \$306 per square foot. Sale No. 2 concerned a 917 square foot townhome constructed in 1977 and updated in 2007 with no garage which sold for \$455,000, or about \$496 per square foot in July 2022. Sale No. 3 was a 1,424 square foot townhome constructed in 1997 with an attached 463 square foot garage with a September 2022 sale price of \$654,000, or about \$459 per square foot. On average, these three (3) townhomes were 1,167 square feet in size and sold for roughly \$420 per square foot. Utilizing this rate, Appellant calculated a value of roughly \$484,000 for subject. In Appellant's view, subject's

assessed value should fall somewhere between the values indicated by the two (2) analyses.

Appellant was additionally concerned the current assessed values of the above three (3) sale properties were different than their sale prices. According to Appellant, the sale prices exceeded the assessed values by approximately \$20,000, \$25,000, and \$63,000, respectively. In Appellant's view, the sale prices were the market values of the properties and therefore the assessed values should match. Respondent explained it is common for an assessed value to differ from a recent sale price, because a property's assessed value is determined through an analysis of multiple sales, not just a single purchase price.

In support of subject's assessed value, Respondent provided a comparative analysis of four (4) townhome sales located on subject's street roughly a block away. The townhomes all shared the same stand-alone design, meaning they were not attached to another townhome in any way. The sale townhomes were all 1,622 square feet in size with attached garages and were constructed in 1997 and 1999. The townhomes also shared the same Class 4 construction quality rating as the subject townhome, and all four (4) were updated to varying degrees in 2021 and 2022. The subject townhome was updated in 2019 with a new enlarged deck, fresh interior paint, new flooring, and new kitchen appliances. The sales ranged in price from \$654,000 to \$850,000, or from \$403 to \$524 per square foot.

Respondent compared each sale property to the subject property and made adjustments for differences in acreage, age and degree of renovation, square footage, garage size, and detached/stand-alone design. The result was adjusted sale prices from

roughly \$559,000 to \$695,000. For comparison, subject's assessed value is \$570,168, which Respondent noted was near the bottom of the range indicated by the adjusted sales.

Respondent additionally developed an adjustment analysis using Appellant's three (3) sale properties, though did not consider Sale Nos. 1 and 2 particularly comparable to subject due primarily to differences in construction quality, age, and lack of garages. Respondent also highlighted both sale townhomes shared two (2) common walls with adjoining townhomes, as they were each situated within a row of other townhomes. Sale No. 1 sold for \$355,000 and Sale No. 2 sold for \$455,000. After adjustments for differences in property characteristics, which were 66% and 40% on a gross basis, respectively, Respondent determined adjusted prices of approximately \$591,000 and \$637,000. With such high degrees of adjustment, Respondent did not regard Sale Nos. 1 and 2 as reliable indicators of subject's market value.

Respondent concluded the opposite with respect to Sale No. 3, which was the \$654,000 purchase in September 2022 of a 1,438 square foot duplex-style townhome constructed in 1997 with a garage and attached to the adjoining townhome in the same manner as subject is attached. After 9% in gross adjustments, Respondent concluded an adjusted sale price of roughly \$594,000. Respondent noted subject's assessed value was less than all three (3) adjusted sale prices.

#### 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 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 typically valued using the sales comparison approach, which approach in simple terms compares recent sales of similar properties to the subject property and makes appraisal adjustments for key differences in property characteristics.

In support of a lower valuation, Appellant offered information on a number of recent townhome sales, which efforts were appreciated by the Board. That being said, there were concerns with the two (2) analyses. The first analysis involved simply calculating the average price per square foot of nearly thirty (30) townhome sales. No consideration was given to differences between subject and the sale properties, such as square footage, construction quality, age, condition, or any other relevant characteristics. A per-unit comparative analysis inherently requires a high degree of similarity between the units being compared. In the case of a per-square-foot comparison for a residential property, it

is critical that the data set is comprised of properties which closely resemble the subject property in key characteristics such as square footage, location, construction quality, age, and condition, as such factors can greatly influence sale price and potentially skew the analysis. It would also be wholly inappropriate to simply apply an average price rate to an entire class or category of property, as such an approach would ignore the characteristics of the individual properties in the category, which can vary widely. In short, the Board did not find Appellant's broad analysis involving such a diversity of sale properties the best indication of subject's market value.

The Board likewise had concerns with Appellant's more focused analysis involving three (3) townhome sales located near downtown. Specifically, the comparability of Sale Nos. 1 and 2 to the subject property was questionable. In addition to being considerably older than subject, both of these two (2) townhomes were attached to townhomes on either side so each had two (2) common walls, whereas subject does not have a common wall. Also, neither townhome included a garage, and Sale No. 1 was inferior in construction quality. None of these differences were considered in Appellant's analysis, which looked only at the average price rate of the three (3) townhome sales. Again, the Board was not persuaded the analysis represented the strongest evidence of subject's value.

Respondent's comparative sales analysis was better received by the Board. Four (4) recent townhome sales in subject's immediate neighborhood were individually compared to the subject property, with adjustments made for differences in important property characteristics. In all, the analysis was found to be consistent with accepted appraisal methodologies and techniques. And with gross adjustments from 15% to 20%,

it was evident the sale properties were relatively similar to the subject property, which adds to the reliability of the value conclusion. The analysis produced adjusted sale prices from roughly \$559,000 to \$695,000, and where subject's assessed value of \$570,168 is near the bottom of the indicated range, the Board was strained to conclude subject's assessed value is above market.

The Board will additionally address Appellant's concern about the current assessed values of the three (3) sale properties included in Appellant's analysis being less than the respective sale prices. In Appellant's opinion, the assessed values should mirror the sale prices because the sale prices represent the market values of the properties. While the Board agrees the recent arm's-length sale of a property is generally regarded as strong evidence of that property's market value, such is not always the case. As observed by the Idaho Supreme Court,

In any single individual transaction there are many variables which are dependent upon the peculiar aspects of the transfer and which affect the price agreed upon by the parties. Market value, therefore, is generally established by numerous sales of the same or comparable property and, although the price paid for property may be admissible to prove its market value, that fact alone is not conclusive.

*Gillingham v. Stadler*, 93 Idaho 874, 878, 477 P.2d 497, 504 (1970).

In other words, it is necessary to consider multiple sales of like property in order to evaluate whether an individual sale price is at market level. This is particularly critical in assessment, as Idaho requires each property to be assessed at market value each year, which inherently requires consideration of all available sales and market indicators. In assessment, it would be rare for a property's assessed value to precisely match the sale price. Even if such were not the case, the issue in this appeal is the market value of the subject property, not assessed values of other properties. Further, a comparison of

assessed values is not a recognized appraisal approach and not considered strong evidence of market value. Accordingly, the assessment information did not factor in the Board's consideration of subject's market value.

Pursuant to Idaho Code § 63-511, Appellant bears the burden of establishing error in subject's valuation by a preponderance of the evidence. Given the record in this matter, the Board did not find the burden of proof satisfied. The property characteristics of the sales included in Appellant's data set were too diverse for any meaningful comparisons with the subject property. Respondent's sales comparison model, on the other hand, was acutely focused on sales of similar townhomes with adjustments made for important differences. In all, the Board found Respondent's analysis supportive of subject's assessed value and therefore will not disturb the valuation.

For the reasons above, the decision of the Blaine County Board of Equalization is affirmed.

#### FINAL ORDER

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

DATED this 12<sup>th</sup> day of February, 2024.