

BEFORE THE IDAHO BOARD OF TAX APPEALS

515 S 11TH ST, LLC, 3RD AVE PARK, LLC, )  
and N 9TH ST PARK, LLC, )  
Appellants, ) APPEAL NOS. 23-A-1205,  
v. ) 23-A-1206, and 23-A-1207  
PAYETTE COUNTY, ) FINAL DECISION AND ORDER  
Respondent. )

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**COMMERCIAL PROPERTY APPEALS**

These appeals are taken from decisions of the Payette County Board of Equalization denying appeals of the valuations for taxing purposes on properties described by Parcel Nos. P1230002009A, P1940017000B, and P1520014000B. The appeals concern the 2023 tax year.

These matters came on for hearing November 13, 2023, in Payette, Idaho, before Board Member Leland Heinrich. Fred McLeran appeared at hearing for Appellants. Payette County Deputy Prosecutor Ryon Sirucek represented Respondent.

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

**The issue on appeal concerns the market values of three (3) improved commercial properties.**

**The decisions of the Payette County Board of Equalization are affirmed and modified.**

FINDINGS OF FACT

Parcel No. P1230002009A (Appeal 23-A-1205)

The assessed land value is \$143,002, and the improvements' value is \$596,300, totaling \$739,302. Appellants contend the correct land value is \$143,002, and the improvements' value is \$49,104, totaling \$192,106.

This subject property is a one (1) acre commercial parcel located in Payette, Idaho. The property operates as a twelve (12) space mobile home park. For purposes of this decision, this property will be referred to as Subject A.

Parcel No. P1940017000B (Appeal 23-A-1206)

The assessed land value is \$229,392, and the improvements' value is \$326,500, totaling \$555,892. Appellants contend the correct land value is \$229,392, and the improvements' value is \$45,522, totaling \$274,914.

This subject property is a 1.18 acre commercial parcel located in Payette, Idaho. The property operates as a fifteen (15) space mobile home park. This property will be referred to as Subject B.

Parcel No. P1520014000B (Appeal 23-A-1207)

The assessed land value is \$925,200, and the improvements' value is \$1,804,624, totaling \$2,729,824. Appellants contend the correct land value is \$925,200, and the improvements' value is \$821,353, totaling \$1,746,553.

This subject property is a 7.71 acre commercial parcel located in Payette, Idaho. The property operates as a sixty-four (64) space mobile home park. This property will be referred to as Subject C.

Appellants disagreed with the subject properties' assessed values and questioned the methodology Respondent used to develop such values. Appellants were concerned certain intangible personal property was included in the properties' respective assessments. More specifically, Appellants contended subjects' valuations include value attributable to contracts and contract rights in contravention of Idaho Code § 63-602L, which exempts such intangible personal property from taxation. Appellants argued the

intangible values of the leases in place for subjects' mobile home spaces were improperly captured in the assessed values. Appellants contended subjects' valuations should have been determined through the cost approach because, in Appellants' view, the income and sales comparison approaches fail to exclude the intangible value of the lease contracts.

Respondent explained subjects' assessed values were reappraised for the 2022 assessment year using the cost approach, which values were trended for 2023 based on local commercial market activity. More precisely, commercial land values were doubled for 2023, while improvement values remained static.

For Subject A, Respondent concluded a 2023 value of \$285,747 for the improvements and \$143,002 for the land. Respondent additionally developed a value estimate of \$416,000 using the sales comparison approach and a value of \$614,400 using the income approach.

For Subject B, Respondent concluded a total 2023 value of \$555,892 under the cost approach, with \$326,500 attributable to the improvements and \$229,392 to the land. Respondent also determined a value of \$480,000 under the sales comparison approach, and a value of \$708,923 using the income approach.

For Subject C, Respondent concluded a total 2022 cost approach value of \$2,705,077, with \$1,779,877 attributable to the improvements and \$925,200 to the land. Respondent offered no explanation, but the 2023 assessed value of Subject C is the same as the 2022 valuation. Respondent additionally determined an income approach value of \$3,680,677, and a sales comparison approach value of \$2,688,000 for Subject C. Respondent maintained subjects' respective assessed values were reasonable given the value indications.

## 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. 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).

Appellants were concerned the subject properties' assessed values included exempt intangible personal property in the form of lease contracts entered into with tenants of the parks. To avoid including any such exempt intangible value, Appellants advocated use of the cost approach to value the subject properties. Whether the Board agrees the cost approach is the best methodology for valuing an income-producing property is immaterial in this instance because the subject properties were in fact assessed using the cost approach. Though Respondent generally concluded higher value

estimates under the other valuation approaches, subjects' assessed values were actually determined through the cost approach, which renders Appellants' argument moot.

Even if Respondent did not utilize the cost approach, the Idaho Supreme Court has observed,

Although different types of property are by their nature more amenable to valuation by one method of appraisal than another the touchstone in the appraisal of property for *ad valorem* tax purposes is the fair market value of that property, and fair market value must result from application of the chosen appraisal method. An arbitrary valuation is one that does not reflect the fair market value or full cash value of the property and cannot stand, notwithstanding the fact that it may be the result of application of one of the approved methods of appraisal set out in the State Tax Commission Regulations. There is no one factor which can be said to be the key to the proper appraisal of taxable property.

*Merris v. Ada Cnty.*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979).

So, even if Respondent had utilized the income or sales comparison approaches, this alone would be insufficient to conclude error in subjects' valuations. Here, subjects' assessed values were determined through use of the cost approach as petitioned by Appellants, so there is no issue for the Board to address.

Though Respondent's reliance on the cost approach was found acceptable, the Board identified a discrepancy in the valuation of Subject A. The improvements were assessed at \$596,300; however, Respondent's cost model concluded a value of \$285,747. The higher value appears to be an error, particularly when compared to the lower assessed value of Subject B's improvements at \$326,500, despite having more mobile home spaces than Subject A. The reason for the discrepancy was not apparent in the record, but in the Board's view, it is clearly the result of an error.

Idaho Code § 63-511 places the burden on Appellants to establish error in subjects' assessed values by a preponderance of the evidence. The burden of proof was

not satisfied in this case with respect to Subject B and Subject C, though an error was identified in the valuation of Subject A. Accordingly, the Board will reduce the valuation of Subject A's improvements to \$285,747, as concluded by Respondent's cost model.

Based on the above, the decisions of the Payette County Board of Equalization are affirmed and modified.

#### FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decisions of the Payette County Board of Equalization concerning the subject parcels be, and the same hereby are, AFFIRMED with respect to Subject B and Subject C, and MODIFIED, with respect to Subject A, as follows:

Parcel No. P1940017000B (Appeal No. 23-A-1026) – AFFIRMED (value upheld)

Parcel No. P1520014000B (Appeal No. 23-A-1027) – AFFIRMED (value upheld)

Parcel No. P1230002009A (Appeal No. 23-A-1025) – MODIFIED (value changed)

Land:	\$143,002
<u>Improvements:</u>	<u>\$285,747</u>
Total Value:	\$428,749

IT IS FURTHER ORDERED, pursuant to Idaho Code § 63-1305, any taxes which have been paid in excess of those determined to have been due be refunded or applied against other *ad valorem* taxes due from Appellants.

Idaho Code § 63-3813 provides that under certain circumstances the above-ordered values for the current tax year shall not be increased in the subsequent assessment year.

DATED this 25<sup>th</sup> day of March, 2024.