

BEFORE THE IDAHO BOARD OF TAX APPEALS

ALEXANDER MURRAY,	)	
	)	
Appellant,	)	APPEAL NOS. 24-A-1010 and
	)	24-A-1011
v.	)	
	)	FINAL DECISION AND ORDER
BONNER COUNTY,	)	
	)	
Respondent.	)	
	)	
_____	)	

**RESIDENTIAL PROPERTY APPEAL**

These appeals are taken from decisions of the Bonner County Board of Equalization denying appeals of the valuations for taxing purposes on properties described by Parcel Nos. RP56N02W034507 and RP56N02W034509. The appeals concern the 2024 tax year.

These matters came on for hearing October 3, 2024, in Sandpoint, Idaho, before Board Member Kenneth Nuhn. Appellant Alexander Murray was self-represented. Bonner County Assessor Dennis Engelhardt 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 two (2) adjacent waterfront properties.**

**The decisions of the Bonner County Board of Equalization are affirmed.**

FINDINGS OF FACT

Parcel No. RP56N02W034507 (Appeal No. 24-A-1010)

The assessed land value is \$1,445,475, and the improvements' value is \$439,500, totaling \$1,884,975. Appellant agrees with the valuation of the improvements, but contends the correct land value is \$713,430, for a total value of \$1,152,930.

This subject property is a .33 acre residential parcel with 90 feet of waterfront on Lake Pend Oreille near Sagle, Idaho. The property is improved with a 2,968 square foot residence constructed in 1980. The property is further improved with a cabin, a bathhouse, a dock, and several small sheds.

Parcel No. RP56N02W034509 (Appeal No. 24-A-1011)

The assessed land value of this adjacent .53 acre vacant parcel with 128 waterfront feet is \$1,603,852. Appellant contends the correct land value is \$1,014,656.

Appellant's concern was the notable increases in the assessed land values of the subject properties. According to Appellant, ten (10) vacant waterfront sales transpired during 2023; however, only five (5) enjoyed frontage on Lake Pend Oreille or the Pend Oreille River. Of these, Appellant focused on three (3) regarded as most similar to the subject properties, though physical details about the properties were somewhat limited in the record. Sale No. 1 was a 1.82 acre parcel with 187 front feet on Lake Pend Oreille, which sold for \$1,750,000, or \$9,358 per front foot. Sale No. 2 concerned a 5.4 acre lot with 271 waterfront feet on the lake with a reported sale price of \$1,800,000, or \$6,642 per front foot. Sale No. 3 was the purchase of a 5.38 acre parcel with 302 feet of shoreline on the Pend Oreille River for \$2,350,000, or \$7,781 per front foot. Appellant calculated an average price rate of \$7,927 per front foot and applied it to the frontages of the subject properties, resulting in land values of \$713,430 for the improved parcel and \$1,014,656 for the vacant lot. Appellant requested subjects' respective land values be reduced accordingly.

Respondent acknowledged the subject properties experienced notable increases in land value for the current assessment year, but explained much of the increase was

due to a decision issued by this Board for the 2022 assessment year, which values remained in place for 2023. The current assessed values were determined using waterfront sales which occurred during 2023, of which Respondent reported twenty-nine (29) were located on Lake Pend Oreille and the Pend Oreille River. The 2023 sales revealed waterfront values were below market, so Respondent applied broad increases.

In more direct support of subjects' valuations, Respondent developed a separate comparative sales model for each parcel. For the improved subject parcel, Respondent offered three (3) improved sales with frontage on Lake Pend Oreille. Sale No. 1 concerned a .41 acre parcel with 63 waterfront feet improved with a 2,056 square foot residence constructed in 1984, which sold for \$2,000,000 in August 2023. Sale No. 2 was the December 2023 purchase of a .47 acre parcel with 118 front feet improved with a 2,912 square foot residence constructed in 2004 for \$1,770,000. Sale No. 3 was the \$2,625,000 sale of a .45 acre parcel with 90 feet of waterfront improved with a 3,094 square foot residence constructed in 2001. The sales were compared to the improved subject property, and adjustments were made for differences in key property characteristics, including front feet, gross living area, age, and condition. The result was adjusted sale prices from \$1,468,152 to \$2,351,101, which range was noted to bracket subject's assessed value of roughly \$1,885,000.

Respondent's valuation model for the unimproved subject parcel included three (3) waterfront sales located within approximately one (1) mile. Sale No. 1 was an unimproved 5.38 acre lot with 302 front feet which sold for \$2,350,000 in February 2023. Both of the remaining sale properties were improved, though no details about the improvements were shared. Sale No. 2 was a .42 acre parcel with 63 feet of waterfront which sold in August

2023 for \$2,000,000. Sale No. 3 was the \$1,770,000 purchase in December 2023 of a .47 acre parcel with 118 front feet on the lake. Respondent extracted assessed values for all the improvements associated with the sales, which left residual price indications for the land. Respondent then adjusted the residual land values for differences in shoreline length and land grade, which yielded adjusted residual land values ranging from \$1,819,777 to \$2,420,848. The approximately \$1,600,000 land value of the unimproved subject parcel was noted to be below the range indicated by the adjusted sales data.

### 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, 2024, 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 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). 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.

The Board appreciated the parties' efforts to provide information on recent waterfront sales, but there were some differences with the sales selected and the methodologies used to analyze the data. Appellant's valuation model focused only on the land values of both the improved and vacant subject parcels, so three (3) vacant waterfront sales were utilized. While appropriate for the unimproved subject parcel, the Board was not convinced an analysis of vacant waterfront sales represented the most reliable methodology for estimating the market value of the improved subject property. Property is typically transacted in the marketplace as a whole unit, not by the individual components. It is the combination of all a property's attributes which determines the market price, so it is critical in valuing an improved property that the valuation model includes consideration of the improvements. Appellant's methodology, however, effectively ignored subject's improvements, which the Board viewed as a weakness in the analysis.

Respecting the improved parcel, Respondent's valuation model was comprised of three (3) improved waterfront sales, with adjustments made for differences in the characteristics of both the land and associated improvements. Though the analysis included some notable adjustments, such was not surprising given the unique physical characteristics of waterfront parcels around the lake and the diversity of the improvements built thereon. Overall, the analysis was found to be generally consistent with accepted

appraisal methodologies, and the range of indicated values, from roughly \$1,470,000 to \$2,350,000, was found supportive of subject's assessed value of \$1,884,975.

In examining the parties' analyses of the unimproved subject parcel, the most notable concern to the Board was the comparability of the sale properties to subject. Though Appellant's sales were unimproved lots, all had considerably longer shorelines than subject's 128 front feet, ranging from 187 to 302 front feet. The reliability of a per-unit comparison, like that offered by Appellant, is necessarily dependent upon a high degree of similarity between the units being compared. Here, two (2) of Appellant's sale lots have more than double subject's frontage, and the other is nearly 50% larger, which naturally skewed the price per front foot rates downward. Appellant's analysis failed to account for the sizeable differences in shoreline length, which undermined the reliability of the value conclusion.

The Board was likewise concerned with the comparability of the sale properties included in Respondent's valuation model for the unimproved subject parcel. Of particular note, two (2) of the sale properties were improved, whereas subject is a vacant lot, which is an entirely different property type. Respondent utilized an extraction methodology to remove values of the improvements from the respective sale prices, resulting in residual value indications for the underlying land. Similar to Appellant's earlier analysis of the improved subject property utilizing vacant land sales, Respondent's reliance on improved sales to value a vacant parcel effectively ignores how property transacts in the marketplace. Even setting aside these concerns, the analysis produced widely differing residual land value indications for the improved sale properties of roughly \$26,000 per front foot for one (1) and \$10,000 per front foot for the other. It was not apparent to the

Board how these valuation rates correlated to subject's land value rate of approximately \$12,500 per front foot.

In accordance with Idaho Code § 63-511, the burden is with Appellant to establish subjects' valuations are erroneous by a preponderance of the evidence. Given the widely varying characteristics of the parties' sale properties and the divergent indications of value, it was difficult for the Board to find error in subject's assessed value. Accordingly, the Board did not find the burden of proof satisfied, so will affirm the decisions of the Bonner County Board of Equalization.

#### FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decisions of the Bonner County Board of Equalization concerning the subject parcels be, and the same hereby are, AFFIRMED.

DATED this 26<sup>th</sup> day of November, 2024.