

BEFORE THE IDAHO BOARD OF TAX APPEALS

POPOV TRUST,)	
)	
Appellant,)	APPEAL NO. 24-A-1009
)	
v.)	FINAL DECISION AND ORDER
)	
BONNER COUNTY,)	
)	
Respondent.)	
)	
_____)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Bonner County Board of Equalization modifying an appeal of the valuation for taxing purposes on property described by Parcel No. RP00251000040. The appeal concerns the 2024 tax year.

This matter came on for hearing September 30, 2024, in Sandpoint, Idaho, before Board Member Kenneth Nuhn. Chris Popov appeared at hearing for Appellant. Bonner County Assessor Dennis Engelhardt 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 Bonner County Board of Equalization is affirmed.

FINDINGS OF FACT

The original assessed land value was \$3,223,350, and the improvements' value was \$167,985, totaling \$3,391,335. The Bonner County Board of Equalization reduced the total valuation to \$3,061,110, with \$2,893,125 attributable to the land and \$167,985

to the improvements. Appellant agrees with the value of the improvements, however, contends the correct land value is \$1,832,015, for a total assessed value of \$2,000,000.

The subject property is a 5.40 acre rural residential property with 330 feet of shoreline on Lake Pend Oreille near Hope, Idaho. The property is improved with a 1,560 square foot residence constructed in 1960, of which 780 square feet are finished. The property is further improved with a boat dock, a boat lift, and a small wood cover.

Appellant's focus was on subject's land value and whether it was consistent with similar waterfront parcels. According to Appellant, roughly one-half ($\frac{1}{2}$) of subject's frontage is unusable due to steep topography and a rocky outcropping which renders the lake inaccessible along that stretch of waterfront. Appellant questioned whether subject's restricted frontage was adequately considered in assessing the property.

In support of a lower valuation, Appellant began with a comparative analysis between sixteen (16) waterfront sales previously provided by the assessor's office, the 2024 assessed values of those sale properties, and value estimates produced by Zillow. Appellant acknowledged Zillow estimates are not actual appraisals, however stated the service has low error rates on value estimates for properties in Idaho, with an error rate of 2.4% for "On-Market" residential properties and 7.49% for "Off-Market" properties. Appellant further reported 82.86% of Zillow estimates are within 5% of actual sale price, 94.72% within 10% of actual sale price, and 99% within 20%. Appellant compared Zillow estimates against the sale prices and calculated an average difference of 3.4%. By contrast, the average difference between assessed values and the respective sale prices was -6.3%. Appellant found it curious subject's assessed value is approximately 57% higher than the Zillow estimate of \$1,948,300.

In a separate analysis, Appellant utilized subject's land valuation to develop land value estimates for several other waterfront properties with lengthy shorelines, then compared the value conclusions to the current assessed land values for those parcels. Appellant noted the first 100 feet of subject's frontage was assessed at a rate of roughly \$15,921 per front foot and the remaining 230 feet were assessed at \$5,486 per front foot. For the first property, which had 420 front feet, Appellant calculated a land value of \$3,347,932 using the same frontage rates applied to subject and noted the assessed land value is 77% lower, at \$1,888,267. Appellant calculated a land value of \$6,025,461 for the second property with 908 front feet, and reported the assessed land value is \$811,620, or 642% lower. Regarding the third property, with 182 front feet and an assessed value of \$983,308, Appellant calculated a value of \$2,042,088, which was 108% higher. The last property, which had 800 feet of shoreline and an assessed land value of \$1,423,481, calculated to a value 282% higher, at \$5,432,893. Based on the various indicators, Appellant concluded a land value of roughly \$1,800,000 and petitioned subject's assessment be reduced accordingly.

Respondent was critical of the sale properties included in Appellant's second analysis, as well as the methodology itself. Respondent stressed the properties in the model were located in different neighborhoods so were assessed using different land tables. Respondent characterized subject's Hope peninsula location as a premium neighborhood on the lake, with higher frontage valuation rates than the neighborhoods of the properties included in Appellant's analysis. It was observed that one (1) of the sale properties was situated on the Pend Oreille River, and another had frontage along the

banks of Morton Slough, not the lake. Respondent further noted one (1) of the properties did not sell in 2023, and another was an active listing.

In support of subject's assessed land value, Respondent offered a comparative sales model comprised of three (3) recent improved sales with frontage on Lake Pend Oreille. Sale No. 1 concerned a parcel with 350 waterfront feet which sold for \$3,800,000 in December 2023. Sale No. 2 was the September 2023 purchase of a waterfront parcel with 130 feet of shoreline for \$3,000,000. Sale No. 3, a waterfront parcel located on subject's street with 175 front feet, sold for \$7,025,000 in August 2023. In an effort to isolate raw land values, Respondent extracted the assessed values of the improvements associated with the sale properties from their respective sale prices. Respondent did not share details of the improvements but extracted improvement values ranging from approximately \$37,000 to nearly \$3,000,000, resulting in residual land value indications from \$2,963,030 to \$3,668,853. Respondent next adjusted the sales for differences in location and shoreline length compared to the subject property and determined adjusted residual land prices from \$2,990,961 to \$4,377,260, or from \$8,546 to \$13,264 per front foot. Based on the adjusted price rates, Respondent maintained subject's land value with an overall effective rate of \$8,649 per front foot was reasonable.

Appellant disagreed with Respondent's inclusion of Sale Nos. 2 and 3 in its valuation model. Appellant explained Sale No. 2 included two (2) adjacent parcels, one (1) of which was improved with a "beautifully designed 3-story guest home that accommodates 10 guests." Appellant pointed out Respondent's analysis attributed less than \$40,000 to the tri-level residence, which skewed the residual land value upward. In Appellant's view, Sale No. 2 should be excluded from the analysis.

Appellant characterized Sale No. 3, with a price of \$7,025,000, as not comparable to subject and an outlier in the data set. Appellant described the property as substantially developed, including a main residence, a separate guest house, a detached three (3) car garage with an upper-level additional dwelling unit with two (2) bedrooms, a pickleball court, a three (3) bay RV storage facility, and extensive landscaping. Appellant was personally familiar with the property and testified the owner spent an estimated \$6,000,000 on the improvements. Subject, by contrast, is improved with a residence constructed in 1960 with 780 square feet of finished living area. Appellant further shared an email from an appraiser in the county assessor's office wherein the appraiser stated Sale No. 3 was "thrown out of our study because it was too far out." For these reasons, Appellant contended Sale No. 3 should be disregarded.

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 sales comparison approach, the cost approach, and the income approach comprise the three (3) primary methods for estimating the market value of real property. *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 approach compares recent sales of similar properties to the subject property, with appraisal adjustments made for key differences in property characteristics.

Appellant did not develop a traditional sales comparison model, though did use recent sales data to develop two (2) distinct valuation analyses. The first was a comparison of sixteen (16) sale prices for waterfront properties which sold during 2023 to value estimates produced by Zillow, then a comparison of those same Zillow estimates to the respective assessed values of the sale properties. On average, Appellant reported assessed values were 6.3% lower than the Zillow estimates. Subject's assessed land value, on the other hand, was roughly 57% higher than the Zillow estimate, which Appellant found questionable.

Though the results of Appellant's analysis were interesting, the methodology was not consistent with accepted standards of appraisal, nor was it apparent how the results correlated to a specific market value estimate for the subject property. To begin, though nine (9) of the sale properties included in the analysis shared the same waterfront land grade of "Good" as subject, the remainder had land grades of "Average", "Very Good", and "Excellent" so were not comparable to subject without adjustments. More importantly, however, was the model, at its core, was effectively a comparison between assessed

values and Zillow estimates, neither of which are considered reliable for purposes of developing an opinion of current market value.

The Board shared some of the same concerns with respect to Appellant's second valuation analysis. In this analysis, Appellant applied subject's land value rates of \$15,291 per front foot for the first 100 feet of shoreline and \$5,486 per front foot for the remainder, to the frontages of four (4) waterfront parcels and compared the results to the respective assessed land values. In each instance, the assessed land values were notably lower than the values Appellant calculated using subject's frontage rates. Again, Appellant's analysis did not consider the differences in location and land grade, as evidenced by one (1) of the properties being located on the Pend Oreille River and another on Morton Slough, neither of which are comparable in location to subject's Hope peninsula neighborhood. It was therefore unsurprising the assessed land values were lower than the values Appellant calculated using subject's higher frontage rates. While Appellant's analyses were interesting, the Board was not persuaded they produced reliable indicators of subject's current market value.

Respondent's valuation model using recent waterfront sales was generally better received by the Board, but there were also some concerns. Most notably, the comparability of the sales to the subject property was questionable; particularly with respect to the improvements, which were considerable compared to subject's cabin and boat dock. Respondent attempted to account for the differences in improvements by simply removing the assessed values of the improvements from the respective sale prices. Respondent then applied heavy adjustments to the residual land values for differences in location and shoreline length. Also, Sale No. 2 included two (2) parcels and

Sale No. 3 concerned an extensively improved property with a sale price nearly 2.5 times higher than subject's assessed value. In all, gross adjustments ranged from approximately 21% to 58%, which indicates a high degree of dissimilarity with the subject property. Despite these concerns, Respondent's analysis was the only valuation model in the record based on recent sales data. And where subject's overall land assessment rate of \$8,649 per front foot was near the bottom of the range indicated by the adjusted sale prices, the Board did not find sufficient support for a lower valuation.

Appellant did raise a potential concern related to subject's land value, but it was not well developed. Appellant stated roughly one-half ($\frac{1}{2}$) of subject's frontage was unusable due to a rock outcropping. A photograph in this regard was provided, but it did not capture the scale and scope of the rock outcropping in relation to the remaining beachfront, so it was not possible to verify the extent of the detriment to the usability of the waterfront. Respondent was unaware of the outcropping so made no adjustments, but if it consumes as much of the shoreline as claimed by Appellant, it is possible subject's land grade may be overstated, which in turn would overstate the market value of the property. However, without more details and analysis, there is insufficient support for an adjustment.

As the party bringing forth this appeal, the burden is Appellant's to establish subject's valuation is erroneous by a preponderance of the evidence. Idaho Code § 63-511. Given the record in this matter, the Board did not find the burden of proof satisfied. Appellant's analyses, while interesting, were not recognized valuation methodologies and should therefore not serve as the basis for adjusting subject's assessed value. In all, the Board did not find sufficient support to disturb subject's current valuation.

Based on the above, the decision of the Bonner County Board of Equalization is affirmed.

FINAL ORDER

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

DATED this 3rd day of December, 2024.