

BEFORE THE IDAHO BOARD OF TAX APPEALS

RIVER RANCH ONE, LLC,)	
)	
Appellant,)	APPEAL NO. 24-A-1244
)	
v.)	FINAL DECISION AND ORDER
)	
BOISE COUNTY,)	
)	
Respondent.)	
)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Boise County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. RP002540010010. The appeal concerns the 2024 tax year.

This matter came on for hearing December 18, 2024, in Idaho City, Idaho, before Hearing Officer Travis VanLith. Attorney Michael Band appeared at hearing for Appellant. Boise County Prosecuting Attorney Alex Sosa 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 Boise County Board of Equalization is reversed.

FINDINGS OF FACT

The assessed land value is \$590,000, and the improvements' value is \$2,014,653, totaling \$2,604,653. Appellant contends the correct total value is \$1,500,000.

The subject property is an 8.65 acre residential parcel situated along the banks of the south fork of the Payette River in the Riverfront Estates subdivision located in Garden

Valley, Idaho. The parcel has views of the mountains and enjoys 250 feet of riverfront. The property is improved with a 5,496¹ square, foot two (2) story, log-style residence constructed in 1998. The residence includes eight (8) bedrooms, three and one-half (3½) bathrooms, and a variety of custom features throughout.

Appellant purchased the subject property in January 2021 for \$2,325,000, in a transaction including two (2) adjoining parcels to subject's east. The adjacent property was a 7.4 acre parcel with 560 feet of riverfront improved with a 2,652 square foot, two-story, log-style residence constructed in 1976. Adjoining this property to the east was a separate vacant 8.48 acre riverfront parcel. Though details were not shared, the three (3) parcels were used together as an estate property by the prior owner. It was unclear if the prior estate was a single parcel or if the estate was split into three (3) discreet parcels after Appellant's 2021 purchase. Currently, each of the three (3) parcels are held in separate, but related, ownerships. Appellant pointed out subject's current assessed value of approximately \$2,600,000 exceeds the price paid for all three (3) properties just three (3) years ago, which is unreasonable in Appellant's view.

In support of a lower valuation, Appellant offered an independent fee appraisal report for the subject property with an effective date of valuation of March 15, 2024. The appraisal first discussed subject's unique place in the local market. It was explained the pool of potential buyers for a parcel of subject's size is notably smaller than for a typical single-family residence on a one-acre lot due to the higher maintenance costs and requirements associated with more acreage. And, at roughly 5,500 square feet with an eight (8) bedroom floorplan, the residence was characterized as atypically large with some functional

¹ Appellant's appraisal report reflected a size measurement of 5,365 square feet and a bathroom count of four (4) full bathrooms, plus two (2) one-half (½) bathrooms.

obsolescence issues. It was noted the unusual layout was partially caused by a major renovation of the residence in 2018-2019, whereby roughly one-third (1/3) of the main level was converted from horse stalls to finished living area.

Due to subject's atypically large size and the lack of local comparable sale properties, the appraisal expanded the geographical scope to other markets in search of similar properties for its comparative sales analysis. Six (6) recent sales were identified, three (3) of which were located in Garden Valley and three (3) from other recreational markets. Two (2) of the sales in the group were riverfront properties, and two (2) were near the water, located just one (1) parcel removed. Overall, the sale parcels varied from 1.78 to 21.22 acres, and the residences ranged in size from 2,000 to 5,722 square feet. With the exception of one (1), all the sale residences were newer than subject's residence, and the majority were log-style designs. All the sale residences were generally similar in terms of construction quality. The five (5) sales that closed during 2023 ranged in price from \$1,200,000 to \$1,600,000, and the one (1) sale from January 2024 sale closed at \$980,000.

The appraisal compared each sale property to subject and made adjustments for key differences in property characteristics. It was noted the appraisal adjusted square footage at \$100 per square foot up to 4,000 square feet, as the appraisal regarded anything larger as being overbuilt for the market. Therefore, the adjustment size above 4,000 square feet was at \$50 per square foot. A 15% location adjustment was applied to the \$1,600,000 sale in McCall due to its superior location, and adjustments were applied to the non-riverfront parcels for the lack of a directly accessible water amenity. The appraisal did consider applying time adjustments, but noted median sale price data from the Multiple Listing Service (MLS) showed a slight decline in median sale price during 2023 for Boise County residential

sales in excess of .5 acres in size. Other notable adjustments were for differences in acreage, bedroom and bathroom count, condition, garage size, and outbuildings. The appraisal determined adjusted sale prices from \$1,143,200 to \$1,515,600 and concluded a value of \$1,500,000 for subject.

Respondent disagreed with aspects of the appraisal's analysis. Specifically, Respondent questioned the inclusion of sales outside the Garden Valley area, particularly sales from outside the county. Respondent also contended the appraisal understated the construction quality of subject's residence, which led to inaccurate adjustments. In all, Respondent did not regard Appellant's appraisal report as the most reliable indicator of subject's current market value.

In support of subject's assessed value, Respondent offered one (1) sales analysis directed at subject's land value and one (1) focused on subject's value on a whole property basis. Noting the lack of recent riverfront sales, the land analysis included three (3) vacant riverfront sales from Garden Valley which transpired during 2021 and one (1) from 2022. The sale lots ranged in size from 1.12 to 11.48 acres. Sale prices were not apparent in the record, but Respondent reported time-adjusted sale prices from \$284,608 to \$699,075. After removing \$30,000 for the onsite improvements associated with the 11.48 acre parcel, Respondent calculated adjusted price rates from roughly \$58,000 to \$332,000 per acre. Based on this, Respondent concluded a value of \$520,000, or approximately \$60,000 per acre, for subject's 8.65 acres.

Respondent's second analysis compared subject to three (3) improved sales from 2023, two (2) of which were also included in Appellant's appraisal report. Parcel sizes for the sales were 47.03 acres, 4.02 acres, and 21.22 acres, and residence sizes were 2,346, 2,952,

and 5,722 square feet, respectively. Sale prices were \$3,500,000, \$1,200,000, and \$1,437,500. After adjustments for acreage, location, construction quality, square footage, outbuildings, and other differences, Respondent determined respective adjusted sale prices of \$4,363,972, \$2,044,408, and \$1,690,988. Subject's current assessed value is \$2,604,653, which Respondent viewed as reasonable.

Appellant was generally critical of Respondent's sales analyses. Regarding the land model, Appellant stressed the sales occurred in 2021 and 2022, so do not reflect current market conditions, and further that only one (1) of the sale lots approximated subject's acreage. With respect to Respondent's second valuation analysis, Appellant contended the adjustments made to the sales were excessive and skewed the results, though agreed Sale Nos. 2 and 3 were appropriate comparables to include in the analysis. Appellant disagreed, however, that Sale No. 1 should have been included, as it was a roughly 47-acre parcel and therefore does not compete for the same pool of buyers as subject, which has just a fraction of the acreage.

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 determining market value. *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 compares recent arm’s-length sales of similar properties to the subject property and makes appraisal adjustments for differences in relevant characteristics.

Both parties developed comparative sales models in support of their respective value positions, which efforts were appreciated by the Board. The subject property is undoubtedly unique in the marketplace, which contributed to the difficulty of the appraisal assignment, as few properties are truly comparable. This was apparent in the limited number of local riverfront sales reported by the parties and some rather aggressive adjustments in their respective comparative analyses.

Before discussing the parties’ valuation models, the Board will first address the timeliness issue Respondent raised with respect to the March 15, 2024, date of valuation of Appellant’s appraisal report. While the Board agrees value evidence from after January 1 is generally considered untimely, such is not the case in this instance. With the exception of one (1) sale that closed in January 2024, Appellant’s appraisal relied entirely on sales and market data from 2023. And, because no time or other market adjustments were made to the sales, the value conclusion on January 1st would be the same as that reached by the

appraisal with an effective valuation date of March 15. Therefore, Appellant's appraisal will be considered timely for purposes of this decision.

Though there were some minor discrepancies between the parties in terms of subject's finished living area and bathroom count, the largest departure between the parties' view of the property was in the respective construction quality ratings. Aside from its square footage adjustments, which inherently include an element of quality, Respondent's largest adjustments were for construction quality.

Respondent's primary basis for assigning a "Good+" quality rating to subject's residence was the diameters of the logs used in the construction. While the Board understands Respondent's general reasoning, such singular focus on log size ignores the fact that roughly one-third (1/3) of subject's residence was previously horse stalls. The horse stalls were converted to living space in 2018-2019, but converting nonliving area to living space is not the same as designing and building living space from the start.

A related concern was with the adjustment rate Respondent used for differences in square footage between subject and the sale residences. The subject residence is unusually large, as evidenced by the fact only one (1) sale residence in the record exceeded 4,000 square feet in size. Subject is clearly overbuilt, or superadequate, for the market, which needs to be considered. The flat \$200 per square foot rate Respondent utilized regardless of the size difference runs contrary to the principle of economies of scale, which generally holds that the price per unit decreases as the number of units increases. Stated differently, the rate at which each square foot contributes value declines as the size of the residence increases. Because subject's residence is so much larger than the sale residences, the \$200 per square foot flat rate used by Respondent resulted in significant size adjustments in the analysis. To

wit, two (2) of Respondent's sales received size adjustments of \$630,000 and roughly \$510,000, or approximately 18% and 42%, of the respective purchase prices. And, when combined with the adjustments for construction quality, the adjustment percentages increase to 32% and 67%, respectively. These are sizeable adjustments for only (2) property characteristics. Overall, Respondent's gross adjustments varied from roughly 47% to 96%, which indicates a substantial degree of dissimilarity compared to subject.

The Board also had questions regarding the inconsistent acreage adjustments in Respondent's analysis. To illustrate, Respondent made a downward adjustment of \$62,138, or \$1,619 per acre, to the 47.03 acre sale parcel, and an upward adjustment of \$70,000, or \$15,119 per acre, to the 4.02 acre sale parcel. These are wildly different rates of adjustment. Respondent offered no explanation or support for its acreage adjustments, but it is noteworthy that subject's 8.65 acres are assessed at \$60,116 per acre. The Board was unable to reconcile the varying adjustment rates for acreage, though concluded they were unrelated to location, because separate location adjustments, ranging from \$92,500 to \$146,000, were applied to the sales.

Generally, the Board found Appellant's analysis represented a more thorough and reasonable consideration of subject's market value given the atypically large size and former horse stall use. This was primarily reflected in a markedly lower adjustment rate for square footage above 4,000 square feet and the "Average+" construction quality rating the appraisal assigned to the subject residence. Though the appraisal's analysis also included some notable adjustments, they were generally less aggressive than those applied in Respondent's analysis.

One of Respondent's chief concerns with the appraisal was the inclusion of sales outside Garden Valley. Location is undeniably a primary driver of market value, but expanding the geographical scope in search of comparable sales is consistent with accepted appraisal practices when there is a dearth of appropriate local sales data, such as here. That being said, of the three (3) sales located outside Garden Valley, only the property in McCall received a location adjustment. The absence of location adjustments to the Cascade and Lowman sales contrasted sharply with the nearly \$150,000 location adjustment Respondent applied to the same Lowman sale. This represented a significant divergence in the parties' respective opinions regarding the comparability of the Garden Valley and Lowman markets and influenced the parties' valuation models.

On a combined basis, the parties' sale price data suggested a wide range of potential value for the subject property, with unadjusted sale prices from \$980,000 to \$3,500,000. Based on sale price alone, it is apparent neither the highest-, nor lowest-priced sale properties are particularly comparable to subject. This was confirmed upon review of the property characteristics, most notably the respective lot sizes of 1.78 and 47.03 acres and the significant level of adjustments to each. Removing these two (2) outliers from the data set leaves adjusted prices for the remaining sale properties from \$1,143,200 to \$2,044,408, with an average price of roughly \$1,540,000 and a median of nearly \$1,490,000. Interestingly, these figures closely approximate the \$1,500,000 value conclusion reached by Appellant's appraisal report.

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. Given the record in this matter, the Board found the burden of proof satisfied. With the exception of Respondent's

47.03 acre sale parcel, none of the sale prices provided by the parties, whether adjusted or unadjusted, approached subject's roughly \$2,600,000 assessed value. Subject is undoubtedly a desirable property, but there was simply no support from the market for the current assessed value. The bulk of the adjusted sale price data centered around \$1,500,000, which the Board found a reasonable estimate of subject's current market value under the circumstances presented here.

The decision of the Boise County Board of Equalization is reversed.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Boise County Board of Equalization concerning the subject parcel be, and the same hereby is, REVERSED, reducing subject's total assessed value to \$1,500,000, with \$910,000 attributable to the improvements and \$590,000 to the land.

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 Appellant.

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

DATED this 14th day of March, 2025.