

BEFORE THE IDAHO BOARD OF TAX APPEALS

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|------------------------|---|--------------------------|
| MARTHA DOORNINK (EST), | ) |                          |
|                        | ) |                          |
| Appellant,             | ) | APPEAL NO. 23-A-1057     |
|                        | ) |                          |
| v.                     | ) | FINAL DECISION AND ORDER |
|                        | ) |                          |
| KOOTENAI COUNTY,       | ) |                          |
|                        | ) |                          |
| Respondent.            | ) |                          |
|                        | ) |                          |
| _____                  | ) |                          |

**RESIDENTIAL PROPERTY APPEAL**

This appeal is taken from a decision of the Kootenai County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. 02905005055A. The appeal concerns the 2023 tax year.

This matter came on for telephonic (Zoom) hearing on October 17, 2023, before Hearing Officer Travis VanLith. Ron Doornink appeared at hearing for Appellant. Residential Appraisal Manager Troy Steiner 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 Kootenai County Board of Equalization is affirmed.**

FINDINGS OF FACT

The assessed land value is \$3,400,000, and the improvements' value is \$3,703,738, totaling \$7,103,738. Appellant contends the correct land value is \$2,000,000, and the improvements' value is \$3,056,976, totaling \$5,056,976.

The subject property is a 1.04 acre residential parcel located in the Gozzer Ranch subdivision a few miles north of Harrison, Idaho. The property is improved with a 4,596 square foot four (4) bedroom, four and one-half (4½) bathroom residence constructed in 2016. The property was noted to enjoy northern views of Lake Coeur d'Alene.

Appellant's primary concern centered on subject's land value, which doubled over the 2022 valuation of \$1,700,000. In this regard, Appellant offered limited details on five (5) vacant lot sales from subject's subdivision which transpired during 2022, as well as three (3) current listings. The sale lots varied from .67 to 2.45 acres in size, with sale prices ranging from \$1,065,000 to \$1,725,000. The current listings concerned lots from 1.13 to 1.60 acres in size with asking prices from \$1,900,000 to \$2,100,000. Appellant acknowledged the subject parcel enjoys a superior view amenity compared to the sale lots, so suggested a 33% premium for subject to account for the difference. Appellant concluded a land value of \$2,000,000 for subject and stressed the figure comfortably exceeded the highest reported vacant lot sale price in the development.

Appellant also disagreed with the valuation of subject's improvements. It was explained Appellant also owns a parcel adjacent to subject, upon which a garage with an additional dwelling unit and a gazebo are situated. Appellant argued the lack of these improvements on the subject parcel would negatively affect the market value because a purchaser of the subject property would be buying just the residence. In Appellant's view, it would be reasonable to reduce the value of subject's improvements by roughly \$646,000, which is the combined assessed value of the garage and gazebo improvements on the adjacent parcel.

Respondent detailed its methodology for determining land values throughout subject's subdivision, which was noted to be a rather diverse development in terms of lot characteristics. The land legend was initially comprised of twenty (20) ratings which were determined on how the lots were marketed and sold when the subdivision was created based on factors such as view, orientation, and other amenities. Over time, sales activity has narrowed the land legend into twelve (12) ratings. Each land rating corresponds to a specific value, which is applied uniformly to all parcels within each rating class regardless of whether the parcel is vacant or improved. Overall, the land values on the legend stretch from \$220,000 for lots with land ratings of 1, to \$6,400,000 for lots with land ratings of 12.

Respondent pointed out subject's land rating of 9 was notably higher than the land ratings for the vacant lot sales provided by Appellant, of which two (2) had land ratings of 3, two (2) had land ratings of 4, and one (1) had a rating of 5, with value rates of \$1,000,000, \$1,260,000, and \$1,500,000, respectively. These sales were utilized in developing values for lots on the lower end of the land rating scale but in Respondent's opinion, these should not be used to evaluate subject's land value. As there were no vacant lot sales in the upper half of the scale, Respondent therefore used an extraction methodology on five (5) improved sales from the subdivision with land grades from 8 to 11. Specifically, Respondent removed assessed improvement values from the respective sale prices which left residual value indications for the underlying lots ranging from \$2,800,000 to \$5,000,000. Subject's legend rating of 9 carries a land value of \$3,400,000.

Appellant questioned the reliability of Respondent's extraction methodology, as it appeared inconsistent with Respondent's contention there is no difference in land value between improved and unimproved parcels of the same land grade. To illustrate,

Appellant provided recent assessment history of two (2) vacant and two (2) improved properties all located on the same street. All four (4) properties shared the same assessed land value of \$310,000 for 2021 and \$630,000 for 2022. Though not shared in the record, presumably all four (4) parcels had the same land rating. This, however, appears to have changed for 2023, as the two (2) unimproved lots were both assigned land ratings of 4 and assessed at \$1,260,000, whereas the improved lots, both with land ratings of 10, were assessed at \$4,030,000 and \$4,237,000. Appellant questioned why the assessed land values suddenly varied between the two (2) improved parcels and the two (2) vacant lots, which had historically been valued the same.

Focusing more directly on subject's total valuation, Respondent provided a comparative sales model utilizing four (4) improved sales from subject's subdivision, all of which included a garage with an additional dwelling unit and a gazebo. Sale No. 1 concerned a five (5) bedroom, five and one-half (5½) bathroom 5,079 square foot residence situated on a .92 acre lot with a land rating of 10 which sold in November 2022 for \$7,600,000. Sale No. 2 was the July 2022 purchase of a 3,836 square foot four (4) bedroom, four (4) bathroom residence on a .85 acre lot with a land rating of 8 for \$6,000,000. Sale No. 3 involved a 1.04 acre lot with land rating of 8 improved with a four (4) bedroom, four (4) bathroom 3,619 square foot residence which sold for \$6,500,000 in June 2022. Lastly, Sale No. 4 was the \$10,700,000 sale in May 2022 of 7,133 square foot six (6) bedroom, seven and one-half (7½) bathroom residence attached to a .79 acre lot with a land rating of 11.

Respondent compared each sale property to subject and made adjustments for differences in land rating, construction quality, age, square footage, additional dwelling

unit, and gazebo. Gross adjustments ranged from 9.9% to 21.9%, and adjusted sale prices were from \$6,240,670 to \$8,746,430. Subject's assessed value is roughly \$7,100,000, which Respondent maintained was reasonable compared to the adjusted price 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, 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. 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). 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.

Appellant's primary focus was on subject's land value, which doubled over the prior year's valuation. According to Appellant there have been no vacant lot sales in the subdivision above the \$1,700,000 mark; so, in Appellant's view, subject's \$3,400,000 land value was unsupported. Appellant additionally questioned the accuracy of the extraction methodology Respondent utilized to extract land values from improved sales which formed the basis for values assigned to parcels with ratings in the upper half of Respondent's land legend. Though the Board shares some of Appellant's same reliability concerns with the extraction methodology, given the absence of any recent upper tier lot sales, Respondent was left with few options. So, in this respect the Board finds no fault with Respondent's use of the extraction method.

But, regardless of whether the Respondent's extraction methodology produced accurate land value results, the relevant issue in this appeal is the market value of the subject property, not the allocation of that value between the land and improvement components. Improved residential property typically sells as a whole unit, not by its individual parts. So, while Idaho law requires the assessment notice to identify certain value components such as land and improvements, the overriding standard is the market value of the entire property being assessed. It is therefore necessary to consider subject's total assessed value as a whole property, not as separate components evaluated on an individual basis.

Though Appellant provided some interesting analyses of the sales and assessment data in the record, they were ultimately flawed in that no consideration was given to subject's total valuation. Respondent's sales model, by contrast, was keenly focused on finding an estimate of subject's total market value. The adjustments made for

differences in individual characteristics were found generally consistent with accepted standards of appraisal and were reasonable, as they ranged from roughly 10% to 22% on a gross basis. The analysis yielded adjusted sale prices from approximately \$6,241,000 to \$8,746,000, which bracket subject's assessed value of \$7,103,738.

The burden of proving error in subject's assessed value by a preponderance of the evidence is Appellant's to bear. Idaho Code § 63-511. Given the evidence presented in this matter, the Board did not find the burden of proof satisfied. Though Appellant identified some concerns with the methodology used to develop land values in the subdivision, the underlying issue is subject's total assessed value, which was relatively well-supported by Respondent's comparative sales analysis. Accordingly, the Board will affirm the decision of the Kootenai County Board of Equalization.

#### FINAL ORDER

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

DATED this 29<sup>th</sup> day of February, 2024.