

BEFORE THE IDAHO BOARD OF TAX APPEALS

MARTHA DOORNINK (EST),	)	
	)	
Appellant,	)	APPEAL NO. 23-A-1058
	)	
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. 02905005056A. 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 \$3,400,323, and the improvements' value is \$646,553, totaling \$4,046,876. Appellant contends the correct total value is \$2,000,000.

The subject property is a 1.06 acre residential parcel with views of Lake Coeur d'Alene located in the Gozzer Ranch subdivision, several miles north of Harrison, Idaho. The property is improved with a 1,064 square foot garage with a 638 square foot

additional living unit (ALU) on the upper level, as well as a timber frame gazebo. The subject property serves as a companion parcel to Appellant's adjacent homesite property, which is improved with a custom residence.

Appellant disagreed with the valuations of subject's land and improvements. Regarding the land, Appellant questioned how the land value doubled from \$1,700,000 in 2022 to \$3,400,000 for 2023 despite no land sales in the subdivision at that price level. On this point, Appellant offered information on five (5) vacant lot sales from the development which occurred during 2022. The lots varied in size from .67 to 2.45 acres with sale prices from \$1,065,000 to \$1,725,000. Appellant acknowledged the subject property enjoys superior lake views to the sale lots so proposed a valuation of \$2,000,000, which was above the highest reported sale price.

Turning to the valuation of the improvements, Appellant regarded the nearly \$650,000 valuation as excessive and unrealistic. Appellant first stressed, ALU is not truly a living unit, as there is no kitchen. The 638 square feet is comprised of just one (1) bedroom and one (1) bathroom. It was next argued that while the improvements serve to compliment Appellant's adjacent homesite parcel, it would be highly unlikely that the property would sell on its own due to the lack of a residence. Appellant also noted there is a large outcropping of rocks on the subject lot which would add notably to the development costs if a residence were to be constructed on the property. Lastly, Appellant explained if the property were to sell, subject's improvements would have to be moved or razed to provide a suitable building envelope to construct a residence. In this respect, Appellant contended the improvements are actually a negative influence on the subject's market value and therefore should carry a zero or negative assessed value.

Respondent first explained the methodology used to develop the land legend used to value lots throughout the subdivision. The initial land legend was comprised of twenty (20) different land ratings which were determined based on how the lots were marketed and sold once the subdivision was created. Sales activity over the years has narrowed the land legend into twelve (12) distinct ratings, each of which corresponds to a specific site value that is uniformly applied to each parcel in the rating class whether vacant or improved. Overall, Respondent's 2023 legend values stretch from \$220,000 to \$6,400,000. Subject's land rating is 9, which carries a site value of \$3,400,000.

Respondent noted the sale lots referenced by Appellant were utilized to develop valuations in the lower half of the land legend because they had land ratings of 3, 4, and 5, however, argued these sales should not be used to determine subject's valuation, as its land rating is 9. Due to the absence of vacant lot sales with land ratings in the upper half of the land legend, Respondent applied an extraction methodology to several improved sales from the subdivision involving parcels with land ratings ranging from 8 to 11. The methodology involved removing assessed improvement values from the respective sale prices and attributing the residual value to the land. The analysis yielded residual land values from \$3,100,000 to \$5,000,000.

Appellant questioned the reliability of Respondent's extraction methodology which concluded vastly higher land values than indicated by actual sales of vacant lots and is contradictory to Respondent's contention there is no difference in land value between an improved lot and a vacant lot of the same land rating. To illustrate Respondent's methodology results in inflated land values for improved parcels, Appellant provided recent assessment history of two (2) vacant and two (2) improved properties all located

on the same street, and all presumably with the same land rating. All four (4) properties shared the same assessed land value of \$310,000 for 2021, and \$630,000 for 2022. This consistency disappeared for 2023, as the vacant lots, with land ratings of 4, were each assessed at \$1,260,000, and the improved lots, with land ratings of 10, were assessed at \$4,030,000 and \$4,237,000. Given the absence of any lot sales above roughly \$1,700,000, Appellant argued the values produced by Respondent's extraction methodology were inflated and unsupported.

For the value of subject's improvements, Respondent offered a cost approach analysis, as there were no sales of garage parcels. Respondent determined a replacement cost of \$97,320 for the garage and \$167,800 for the ALU on the upper level. No depreciation was applied, but after a market adjustment factor of 2.3, Respondent concluded a value of \$385,940 for the ALU and \$223,836 for the garage. After adding \$36,777 for the gazebo, the combined value of subject's improvements is \$646,553.

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 three (3) primary methods 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).

Appellant's central concern was the reliability of the extraction methodology Respondent used to develop values for its land legend. In Appellant's view, the methodology produced inflated land value indications, which are wholly unsupported by sales of lots with land ratings on the higher end of the scale. Though the Board agrees the reliability of the land legend would benefit from sales of highly rated vacant lots in the development, the reality is that there have not been any recent sales of such lots. Respondent, however, is still required to assess every taxable property each year. So, in an effort to carry out that duty, Respondent developed a land valuation legend partly with vacant lot sales and partly with improved sales from which land values were extracted. Under the circumstances, Respondent's general methodology was reasonable in the Board's view. And, though vacant lot sales were lacking for some of the specific ratings on the land legend, the values were no less supported than the 33% view adjustment offered by Appellant, which was not derived from any particular analysis.

Turning to subject's improvements, Appellant contended they effectively carry a negative value because if the property were to sell, the buyer would need to move or demolish the improvements to make room for a residence to be constructed. The Board agrees the subject property is distinctively improved but disagrees that the improvements

carry no value. The improvements exist on the subject property and are used by Appellant as enhancements to the adjacent homesite parcel. Admittedly, the value of such use is somewhat unique to Appellant and difficult to measure in the marketplace, but the improvements undeniably contribute value so must be assessed.

Given the absence of any reported sales of lots improved with just a garage structure, a sales comparison approach analysis is not possible, so a reasonable alternative is to develop an opinion of value through the cost approach, which is the course Respondent took. Idaho requires not only that taxable property be assessed using recognized appraisal methods and techniques, but also that such property's actual and functional use be a major consideration in the valuation. Idaho Code § 63-208. In the case at bar, the subject property and the improvements situated thereon were actually and functionally used to complement Appellant's adjacent homestead as of January 1, 2023. And absent sales or other market data suggesting a lower value, the Board did not find good cause to disturb subject's valuation.

Idaho Code § 63-511 places the burden on Appellant to establish error in subject's valuation by a preponderance of the evidence. Given the record in this matter, the Board did not find the burden of proof satisfied.

The decision of the Kootenai County Board of Equalization is affirmed.

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 29th day of February, 2024.