

BEFORE THE IDAHO BOARD OF TAX APPEALS

NICHOLAS AND REBECCA OLTEAN,	)	
	)	
Appellants,	)	APPEAL NO. 23-A-1011
	)	
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 denying an appeal of the valuation for taxing purposes on property described by Parcel No. RP059610010430. The appeal concerns the 2023 tax year.

This matter came on for hearing October 3, 2023, in Sandpoint, Idaho, before Board Member Kenneth Nuhn. Appellants Nicholas and Rebecca Oltean were self-represented. Bonner County Chief Deputy Assessor Cory Gabel 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 modified.**

FINDINGS OF FACT

The assessed land value is \$918,877, and the improvements' value is \$259,642, totaling \$1,178,519. Appellants agree with the value of the improvements, however, contend the correct land value is \$670,000, totaling \$929,642.

The subject property is a 1.28 acre rural residential parcel with 133 feet of shoreline on the east side of Priest Lake. The property is improved with a 952 square foot cabin, a

second cabin with 112 square feet, a 200 square foot boat house, and 534 square feet of boat docks. The property is further improved with a 1,024 square foot detached garage with 1,024 square feet of storage above, which Appellants estimated was roughly 70% complete as of the assessment date.

There was some confusion regarding the accurate assessment value of subject's improvements. The above figure of \$259,642 is the value reflected on the 2023 assessment notice. At hearing, however, Respondent testified the Bonner County Board of Equalization (BOE) reduced the value of the improvements to \$239,548 because it was learned the new outbuilding would be a garage upon completion, not a dwelling as originally intended. No written documentation of the value change was provided, and the BOE's decision letter dated June 29, 2023, did not indicate any change to the value reflected on the assessment notice. For the purpose of this decision, the Board will consider the \$259,642 figure reflected on the assessment notice as the current valuation of subject's improvements.

Appellants' concern with subject's land value centered on the "average" land grade assigned to the parcel by the assessor's office. Appellants contended a lower land grade of "fair" better reflected the characteristics of subject's overall topography and shoreline. Appellants explained a large granite outcropping runs through the subject parcel down to the beachfront. More specifically, the crest of the ridge was noted to run directly through the middle of the parcel, creating some rather notable sloping on either side of the outcropping, particularly across the waterfront. As no other parcels in the immediate area were similarly impacted by the outcropping, Appellants reasoned subject's land value should be markedly lower by comparison. In Appellants' view, subject was erroneously

grouped in with the other immediately proximate waterfront parcels and valued similarly despite the differences in shoreline characteristics.

To illustrate the impact of the sloping caused by the granite outcropping, Appellants measured the slope along subject's shoreline, which starts at 15% at the western property boundary, crescendos at a 48% slope near the centerline, and eases down to a 21% slope at the eastern property line. By contrast, Appellants offered photographs of the shorelines of the immediately adjacent parcels on either side of subject depicting relatively level, sandy beachfronts. Other than a few feet along the border with subject which had a slope of 12%, the slope of the remaining beachfront on the property adjacent to subject's west was measured at 8%. Similarly, the slopes of the beachfronts on the two (2) properties immediately to subject's east were 7% and 6%, respectively.

Appellants did not have access to 2023 assessment information, so used 2022 data in an effort to demonstrate subject's assigned land grade is too high. Appellants first shared slope measurements and land values for seven (7) properties immediately to subject's east and west. Shoreline slope measurements ranged from 6% to 8%, and land valuation rates ranged from \$4,800 to \$5,200 per front foot, with the exception of the adjacent west lot which was assessed at \$4,400<sup>1</sup> per front foot. Subject's 2022 assessment rate was \$4,800 per front foot, which Appellants argued was grossly overstated given the dramatic differences between subject's steep and rocky beachfront and the flat, sandy beachfronts of the nearby referenced parcels.

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<sup>1</sup> Respondent made vague reference to an issue affecting the lot as the reason for the lower valuation rate but did not provide any details.

Appellants additionally provided photographs of a dozen other lakefront parcels with similar shoreline lengths as subject, each with a “fair” land grade. The majority of the beachfronts were roughly one-half ( $\frac{1}{2}$ ) sand and one-half ( $\frac{1}{2}$ ) rock and/or brush, with shoreline slopes ranging from 11% to 18%. The land value rates for these parcels ranged from \$3,100 to \$3,900 per front foot. Appellants estimated subject’s beachfront is comprised of roughly 40% sand, 60% rock, and the slope measurements along the shoreline vary from 15% to 48%. Appellants contended subject’s characteristics better resembled parcels with land grade ratings of fair and argued subject’s land grade should be reduced to match.

Lastly, Appellants offered a couple pages of photographs of the subject property from an independent appraisal report commissioned in 2017, in connection with Appellants’ auction purchase of the lot from the State of Idaho. The photographs depicted the granite outcropping running through the lot down to the waterline, as well as many large rocks strewn across the beachfront. Descriptions under the photographs characterized subject’s beachfront as inferior to adjacent lots, with one caption reading, “[s]ubject beachfront is very inferior to adjacent lots because of rocks and rocky ridge” (emphasis in original). Accordingly, Appellants argued subject’s land value should be notably lower than these immediately proximate lots with superior beachfronts.

Respondent disagreed with Appellants’ description of the sloping, as Respondent did not consider subject’s topography to be steep. Respondent also explained subject’s land grade was already lower than the referenced adjacent lots, which have “good” land grade ratings. Respondent maintained subject’s “average” land grade accurately reflected the beachfront characteristics of the lot.

In support of subject's current valuation, Respondent offered information on three (3) improved waterfront sales located within a few miles of the subject property with shoreline lengths varying from 100 to 149 front feet. Respective sale prices were \$1,190,000, \$1,400,000, and \$2,400,000. Respondent first removed assessed values of all improvements associated with the sale properties, though no details concerning the improvements were shared. The result was residual land value indications from roughly \$891,000 to \$2,150,000. Respondent next adjusted each sale for differences in shoreline length compared to subject and also applied land grade adjustments to Sale Nos. 1 and 2, both of which had "fair" land grades. After adjustments, Respondent calculated adjusted land prices of \$1,036,312, or \$7,792 per front foot for Sale No. 1; \$1,154,154, or \$8,678 per front foot for Sale No. 2; and \$2,238,259, or \$16,829 per front foot for Sale No. 3. Subject's current assessed land value is \$840,877, or \$6,322 per front foot, which Respondent maintained was reasonable.

#### CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of fair market value in fee simple interest or, as applicable, exempt status. This Board, giving full opportunity for all arguments and having considered all the testimony and documentary evidence, 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. Market value is defined in Idaho Code § 63-201, as,

"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 differences in the property characteristics between subject and the sale properties.

Before addressing the larger issue regarding subject's land value, there is an outstanding question related to the assessed value of the improvements. The assessment notice reflects a value of \$259,642 for the improvements, yet Respondent insisted the correct value of the improvements is \$239,548 due to a reduction in value ordered by the BOE. The problem, however, is the BOE's decision letter from June 2023, unequivocally states there was no change in the values reflected on the assessment notice. In discussing the lower improvement value, Respondent explained the reduction was made because it was learned the new outbuilding would not include any finished living space, whereas the value on the assessment notice was based on Appellants' original plan to include living area. As it has now become clear the new outbuilding will simply be a garage once completed, it should not be assessed as if the structure includes living space, which naturally carries a higher value per square foot. Therefore, the Board will accept the lower valuation of \$239,548 for subject's improvements and reduce the value accordingly.

Turning now to subject's land value, the parties took different approaches toward supporting their respective value positions. Using 2022 assessment information of

lakefront parcels from subject's immediate neighborhood, Appellants ultimately concluded a land value of \$670,000. The assessment data was appreciated by the Board, but in addition to being a year old, a comparison of assessed values is not a recognized appraisal approach and should not form the basis for developing an opinion of market value. That being said, the lakefront assessment data was informative in terms of illustrating the different value ranges associated with the respective land grades. In this respect, Appellants' assessment information was well received by the Board, as will be discussed later.

Respondent offered support for subject's assessed value in the form of a comparative sales analysis involving three (3) sales of improved lakefront properties. Though based on recent 2022 sales, Respondent's valuation model was not a traditional sales comparison approach. Rather than comparing the sales to subject on a whole property basis, Respondent sought to isolate the value attributable to the sale lots, as raw land. This was accomplished by extracting the assessed values of all improvements from the respective sale prices and then making adjustments for differences in shoreline length and land grade. In addition to the inherent weaknesses of an extraction methodology, such as the presumption that the assessed values being extracted are accurate, there were other concerns with Respondent's valuation model.

One such concern was the inconsistent land grade adjustments made to Sale Nos. 1 and 2. Respondent reported "fair" land grades for both sale properties, yet the land grade adjustment for Sale No. 1 was approximately \$54,000 and the adjustment for Sale No. 2 was roughly \$125,000. The land grade adjustment is not tied to frontage

measurements, which was a separate adjustment in the analysis, so it was curious to the Board that different adjustment figures were utilized for the same characteristic.

Even more concerning was the lack of information Respondent shared about the sale properties, particularly the absence of any details about the associated improvements and the complete lack of photographs of the respective waterfronts. There was also a question of the comparability of Sale No. 3 to the subject property. According to Respondent, Sale No. 3 shared the same “average” land grade as subject, yet Respondent concluded in its own analysis a “raw land sale value” of roughly \$2,150,000 and an “adjusted land sale price” of nearly \$2,240,000 for Sale No. 3, both of which are more than double subject’s assessed land value, despite the sale property having twenty (20) fewer feet of shoreline. On its own, the disparity between the adjusted land price and subject’s assessed land value strongly suggests few similarities exist between the two (2) properties, other than being situated on the same side of the lake. Photographs may have been informative in this regard, but again, none were shared, so the Board was unable to make any meaningful evaluations or comparisons. Given these concerns, the Board was reluctant to emphasize Respondent’s valuation model in its consideration of subject’s market value.

Though the assessment data shared by Appellants should not be used to determine subject’s market value, the information did illustrate clear delineations in value between the different land grades. The data showed a relatively tight range of value for the twelve (12) properties shared by Appellants with “fair” land grades and similar shoreline lengths. And the accompanying waterfront photographs and beachfront slope measurements were remarkably similar to subject’s waterfront and slope. The only other

photographs were of the properties in subject's immediate proximity with far superior beachfronts, which further illustrated how subject has been uniquely impacted by the rock outcropping. Whether it is the result of the limitations within Respondent's land model itself, which identifies only three (3) land grades, or some other unknown reason, it was apparent to the Board subject's land value is erroneously high.

Lastly, Appellants questioned the \$78,000 onsite improvement value included in subject's assessment, noting that the figure is double the standard \$39,000 rate applied to parcels with onsite improvements. Respondent did not address the issue, so the reason for the discrepancy is unclear, but apparently two (2) onsite improvements assessments were included in subject's valuation. It is common assessment practice for onsite improvements, which typically refers to utilities, to be included in the assessment of a property improved with a residence, but it is unusual in the Board's experience for a property to be assessed twice for onsite improvements. There is only one (1) residence on the subject property, so the assessment should include only a single onsite improvement value of \$39,000.

Idaho Code § 63-511 places the burden on Appellants to establish subject's valuation is erroneous by a preponderance of the evidence. Based on the evidence presented in this matter, the Board found the burden of proof satisfied, though did not find adequate support for the value petitioned by Appellants. The photographs and slope measurements shared by Appellants clearly demonstrated the physical similarities between subject and other waterfront properties within a mile of subject with land grades of fair. And where Respondent's only value evidence consisted of an analysis of three (3) lakefront sales of questionable comparability to subject, the Board was unpersuaded

subject's assessed value represented the best estimate of current market value. Accordingly, the decision of the Bonner County Board of Equalization is modified to reflect a reduction in subject's total value to \$983,448, as detailed below.

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, MODIFIED to reflect a decrease in total value to \$983,448 as follows:

Improvements	\$239,548
Land	\$704,900
<u>Onsite Improv.</u>	<u>\$ 39,000</u>
Total Value	\$983,448

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 Appellants.

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

DATED this 19<sup>th</sup> day of December, 2023.