

BEFORE THE IDAHO BOARD OF TAX APPEALS

MICHAEL AND RENEE WILLIAMS,	)	
	)	
Appellants,	)	APPEAL NO. 23-A-1022
	)	
v.	)	FINAL DECISION AND ORDER
	)	
JEFFERSON COUNTY,	)	
	)	
Respondent.	)	
	)	
_____	)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Jefferson County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. RP002570030280. The appeal concerns the 2023 tax year.

This matter came on for hearing October 5, 2023, in Rigby, Idaho, before Board Member Doug Wallis. Appellants Michael and Renee Williams were self-represented. Jefferson County Assessor Jessica Roach 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 Jefferson County Board of Equalization is modified.

FINDINGS OF FACT

The assessed land value is \$105,000, and the improvements' value is \$571,660, totaling \$676,660. Appellants contend the correct land value is \$90,000, and the improvements' value is \$490,000, totaling \$580,000.

The subject property is a 1.03 acre residential parcel located in the Blackstone Estates #2 subdivision near Rigby, Idaho. The property is improved with a six (6) bedroom, three (3) bathroom single-story residence constructed in 2022. The 3,692 total square feet are split evenly between the main floor and basement, though there are 137 square feet of unfinished space in the basement. Attached to the residence is a 1,240 square foot three (3) car garage, to which a 600 square foot RV garage is attached.

Appellants raised several concerns with subject's current valuation and questioned whether it represented the best estimate of market value. Appellants purchased the subject lot in June 2021 for \$80,000 and finished construction of the residence a year later, in June 2022. Appellants shared a page from a bank-ordered appraisal connected with financing of the property, which concluded a value of \$490,000 for the residence only. Appellants noted the \$490,000 figure was reasonably close to the \$511,879 value for the subject residence as reflected on the November 2022 occupancy tax notice. However, Appellants viewed the \$571,660 current assessed value of the residence, representing a roughly \$60,000 increase over the 2022 valuation, as excessive and not reflective of current market conditions.

Another concern raised by Appellants was the 3,692 square feet of finished living area reflected in Respondent's records. Citing to subject's building plans, Appellants reported 3,289 square feet of finished living area and contended this was the more accurate size figure. Respondent explained the size variance was due to differences in the methodologies utilized for measuring the residence, with the assessor's office using exterior measurements and the building plans relying on interior measurements.

To demonstrate subject's overvaluation, Appellants shared details of three (3) sales from late 2022 and one (1) which closed in January 2023. The sale properties ranged in size from 1.0 to 1.2 acres, and the sale residences closely resembled subject's residence in age, construction quality, bedroom and bathroom counts, and other common characteristics. Sale prices ranged from \$580,000 to \$615,000. The key difference was in finished living area, with the sale residences ranging in size from 3,627 to 3,707 square feet, and Appellants utilizing the 3,289 square foot interior size measurement for subject's residence.

Appellants used the sales data to develop a comparative analysis, though the 2023 sale was excluded because it occurred after the January 1st assessment date. Using the above size measurements and respective sale prices, Appellants calculated price rates from roughly \$161 to \$166 per square foot. By comparison, Appellants determined a rate of roughly \$176 per square foot for the subject property, which was calculated using subject's interior size measurement and a sale price of \$580,000. The "sale price," which is also Appellants' value claim in this appeal, was the sum of the \$490,000 value concluded in the appraisal for subject's residence and a land value of \$90,000. Appellants stressed subject's price rate using the \$580,000 price figure was already higher than all the sales, and argued there was no justification for the even higher rate of roughly \$205 per square foot reflected by the current assessed value of approximately \$675,000.

Appellants additionally provided an analysis of the assessed values for the respective sale properties. Appellants reported assessed values for the improvements ranging from \$494,000 to \$510,000, with an average of \$494,292. By comparison, subject's improvements are assessed at \$571,660, which was questionable in Appellants'

view. Respondent explained subject's improvement value is higher because it includes the value attributable to the 600 square foot attached RV garage, which none of the referenced properties have.

Appellants next analyzed the sale prices against the respective assessed values for the sale properties. Sale No. 1 sold for \$615,000 and has a current assessment of \$640,023. Sale No. 2 closed at \$599,000 and is assessed for \$599,810. Sale No. 3, with a sale price of \$583,876 is assessed for \$616,891. Appellants measured the variance between the sale prices and assessed values and found assessed values were \$19,616 higher than the respective sale prices, on average. Using this as a benchmark, Appellants argued the roughly \$60,000 increase in the value of subject's improvements was excessive by comparison.

Turning next to subject's assessed land value, Appellants disagreed with Respondent's methodology for setting land values in the subdivision and questioned the \$15,000 increase in subject's land value over the prior year's valuation of \$90,000. Specifically, Appellants challenged Respondent's approach of assigning a site value to lots in the subdivision regardless of size. Appellants provided a parcel map of the development with lot sizes and assessed land values identified for ten (10) properties in the neighborhood. The eight (8) parcels located west of Blackstone Drive ranged in lot size from 1.13 to 1.37 acres and each were assessed for \$105,000. The remaining two (2) parcels, situated east of Blackstone Drive, were 1.50 and 1.65 acres in size and were both assessed at \$109,500. In Appellants' opinion, it was illogical that the value of subject's 1.03 acres is \$105,000 while the value a parcel with nearly two-thirds of an acre more land is only \$4,500 higher.

Respondent explained land values in subject's subdivision are done on a site value basis because the market for lots in subject's development did not demonstrate a measurable price variance based on small size differences. In subject's subdivision, the base raw lot value is \$90,000, to which a value of \$15,000 is added for well and septic once the residence is constructed and occupied. Though construction of subject's residence commenced in 2021, it was not completed until June 2022; meaning 2023 marked the first assessment year the \$15,000 well and septic value was included in subject's land assessment. Respondent cited this as the reason subject's land value is higher than it was last year.

In support of subject's valuation, Respondent offered information on ten (10) sales, three (3) of which were the same 2022 sales from subject's subdivision included in Appellants' analysis. The remaining seven (7) sale properties were located in subdivisions regarded by Respondent as similar to subject's development. The ten (10) sale residences, situated on lots from .66 to 1.21 acres, ranged in finished living area from 3,368 to 3,921 square feet. Sale prices varied from \$583,000 to \$649,000, or from roughly \$131 to \$146 per square foot. Respondent stressed that while each of the sale residences included attached garages, none of the sale properties also included a 600 square foot RV garage. To account for subject's extra amenity, Respondent adjusted each sale price by \$36,000, resulting in adjusted price rates from roughly \$141 to \$158 per square foot. Subject's assessed value calculates to nearly \$155 per square foot, using the exterior size measurement of 3,692 square feet.

To demonstrate the reasonableness of subject's land value, Respondent offered fourteen (14) vacant lot sales. Ten (10) of the sales occurred during 2022 and two (2)

transpired in late 2021. None of the sale lots, which varied in size from 1.0 to 1.07 acres, had well and septic improvements. Sale prices ranged from \$80,000 to \$108,000, with an average price of \$90,711. Subject's 1.03 acres are assessed the standard \$90,000 site value, plus \$15,000 for the well and septic, which Respondent stressed was the same methodology used to value lots throughout the subdivision.

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 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). 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.

Neither party offered a traditional sales comparison model, though both parties did develop value opinions utilizing recent sales data. Appellants examined subject's land and improvements separately using different methodologies for each. Though Appellants' efforts were appreciated by the Board, there were concerns with the various analyses. One such concern was the 3,289 square foot size figure Appellants utilized for subject's residence, which is the interior size measurement. While interior measurements are not problematic on their own, the issue in this case is that Appellants did not similarly utilize interior size measurements when comparing subject's residence to the sale residences, which ranged in size from 3,627 to 3,707 square feet based on exterior measurements. Naturally, comparing subject's lower interior size measurement to the larger exterior size measurements of the sales inflated the price rate for subject compared to the sales. This was demonstrated in the price rates Appellants calculated for the sales, which ranged from roughly \$161 to \$166 per square foot, compared to a rate of approximately \$176 per square foot for subject. However, when subject is compared to the sales on a like-basis, using the exterior size figure of 3,692 square feet, subject's rate drops to \$157 per square foot, which is lower than all three (3) sales included in the analysis.

Another issue with Appellants' comparative analysis was its failure to account for subject's RV garage, an extra amenity enjoyed by none of the sales in the record. Adjusting the sale prices upward for an RV garage would place subject's per-square-foot rate even further below the price rates for the sales. These fundamental flaws in the analysis served to undermine the Board's confidence in the reliability of results. Accordingly, little weight was afforded Appellants' sales model.

Appellants also contended the nearly \$60,000 increase in subject's valuation over the prior year's assessment was excessive compared to the \$19,616 Appellants described as the "median assessed value increase" of the sales. The assessed value increase referenced by Appellants, however, is not actually an increase in assessed value. Rather, the \$19,616 figure calculated by Appellants is the median difference between the 2022 sale prices and the respective 2023 assessed values of the sale properties. The starting assumption in Appellants' analysis is that the 2022 sale prices match the 2022 assessed values, which is flawed. Idaho requires property be assessed at market value, which involves more than simply setting assessed values to match sale prices. As observed by the Idaho Supreme Court,

In any single individual transaction there are many variables which are dependent upon the peculiar aspects of the transfer and which affect the price agreed upon by the parties. Market value, therefore, is generally established by numerous sales of the same or comparable property and, although the price paid for property may be admissible to prove its market value, that fact alone is not conclusive.

Gillingham v. Stadler, 93 Idaho 874, 878, 477 P.2d 497, 504 (1970).

The 2022 assessed values for the sale properties, which were not shared, would have been established as of January 1, 2022, using sales and other market data from prior to such date. The 2023 assessed values for the sale properties were determined using the sale prices in addition to other relevant market data. In order to evaluate the reasonableness of subject's increase in valuation compared to the sales, it would first be necessary to calculate the difference between the 2023 and 2022 assessed values of the sale properties. But, as the 2022 assessment information was not provided, no such comparisons could be made.

The Board was similarly not persuaded the \$15,000 increase in subject's land value was excessive or otherwise erroneous. Appellants' central issue in this regard was that lots in the subdivision were assessed at a uniform value instead of different values based on size. While Appellants' concerns are well taken, in the Board's experience it is common for lots in a relatively homogenous subdivision to be valued on a site basis, rather than a size-based model. It is well understood in appraisal that the principal value of a residential lot is carried in the portion upon which the residence is constructed, with the remaining space contributing notably less to the overall market value. In other words, the market for these lot types demonstrates little price variance for small differences in lot size. Lot sizes in subject's subdivision are fairly uniform, so it is reasonable for each to carry similar value in the marketplace despite minor size variances. In any event, no sales data was offered demonstrating price variations are based on minor size differences.

Not only did the Board find Respondent's site value methodology reasonable, but the \$90,000 base site value itself was well supported by fourteen (14) recent one-acre vacant lot sales with no site improvements, with an average sale price of \$90,711. Respondent's policy is to add a standard site improvement value of \$15,000 for well and septic once a residence is built on the lot. Respondent applied this policy and added \$15,000 for subject's septic and well improvements, which had not been included in prior assessments because construction on subject's residence did not finish until mid-2022. A standard site improvement value is common assessment practice, and nothing in the record suggested Respondent's \$15,000 figure for well and septic is unreasonable. In short, the Board found no error in subject's \$105,000 land assessment.

While the Board found Respondent's general valuation methodology to be sound, subject's valuation does appear somewhat aggressive against the improved sales data; particularly the three (3) sales from subject's subdivision. This was the case both in terms of total valuation and the assessed value of subject's residence. Subject's total assessed value is roughly \$676,000, whereas sale prices were \$583,000, \$599,000, and \$615,000. Similar levels of variance were observed between the value of subject's improvements and the residual improvement values Respondent determined by subtracting the land values from the respective sale prices. Respondent attributed the difference in subject's assessed value to the RV garage, which none of the sale properties have. To account for subject's RV garage amenity, Respondent added \$36,000 to the residual improvement values for each sale, resulting in adjusted price rates from approximately \$153 to \$157 per square foot, which compared favorably with the assessed value of subject's improvements at roughly \$155 per square foot.

One problem with the above \$36,000 adjustment figure, however, is that subject's RV garage is only assessed at approximately \$22,000. Another issue is that while adjusting the sales to account for subject's RV garage narrowed the gap between the value of subject's improvements and the sales on a per square foot basis, the same cannot be said on an overall basis, which is the relevant underlying question in this matter. Indeed, subject's total assessed value exceeds the average sale price from subject's subdivision by approximately \$75,000, and is roughly \$60,000 above the highest sale price. Even after adjusting for the RV garage, subject's valuation is still well above the level indicated by the sales, and in the Board's opinion should be reduced somewhat.

Idaho Code § 63-511 places the burden on Appellants to establish subject's valuation is erroneous by a preponderance of the evidence. Given the record in this matter, particularly the recent sales information from subject's subdivision, the Board found the burden of proof satisfied. Accordingly, the decision of the Jefferson County Board is modified to reflect a reduction in total assessed value to \$640,000, as detailed below.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Jefferson County Board of Equalization concerning the subject parcel be, and the same hereby is, MODIFIED, to reflect a decrease in total assessed value to \$640,000, with \$105,000 attributable to the land and \$535,000 to the improvements.

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 9th day of January, 2024.