

BEFORE THE IDAHO BOARD OF TAX APPEALS

SANDRA AND DENNIS CAPPS,	)	
	)	
Appellants,	)	APPEAL NOS. 23-A-1243 and
	)	23-A-1248
v.	)	
	)	FINAL DECISION AND ORDER
JEROME COUNTY,	)	
	)	
Respondent.	)	
	)	
	)	
	)	

RESIDENTIAL PROPERTY APPEALS

These appeals are taken from decisions of the Jerome County Board of Equalization denying appeals of the valuations for taxing purposes on properties described by Parcel Nos. RPJ00000183477 and RPJ00000183478. The appeals concern the 2023 tax year.

These matters came on for hearing October 24, 2023, in Jerome, Idaho, before Board Member Leland Heinrich. Appellant Sandra Capps was self-represented. Jerome County Assessor Mark Swenson represented Respondent.

Board Members Leland Heinrich, Kenneth Nuhn, and Doug Wallis join in issuing this decision.

The issues on appeal concern the market values of two (2) improved residential properties.

The decisions of the Jerome County Board of Equalization are affirmed.

FINDINGS OF FACT

Parcel No. RPJ00000183477 (Appeal No. 23-A-1243)

The assessed land value of this .35 acre parcel is \$58,980, and the improvements' value is \$273,625, totaling \$332,605. Appellants contend the correct total value is \$228,312.

Parcel No. RPJ00000183478 (Appeal No. 23-A-1248)

The assessed land value of this .31 acre parcel is \$56,931, and the improvements' value is \$266,075, totaling \$323,006. Appellants contend the correct total value is \$228,312.

The subject properties are adjacent residential parcels located in an un-platted subdivision in Jerome, Idaho. The properties are improved with identical 2,114 square foot duplexes constructed in 1996. Each duplex unit includes three (3) bedrooms, two (2) bathrooms and an attached garage.

Appellants disagreed with the roughly 100% increase in subjects' assessed values over the 2022 valuations and questioned whether adequate consideration was given to certain characteristics argued to negatively impact subjects' market values. Of primary concern was that subjects are located on a private street, for which owners in the development are responsible for all costs associated with general maintenance, snow removal, and the sewer and water lines. Appellants also contended subjects' marketability is diminished because the properties are located in a subdivision restricted to persons over 55 years in age, which limits the pool of potential tenants. Lastly, Appellants described subjects' floor plan as inconvenient, as there is no access to the garage from inside the duplex units nor from the front of the units. Rather, access to the garage is via a door off the rear of each unit.

In support of lower valuations, Appellants offered an independent fee appraisal report of one (1) of the subject properties. The appraisal report developed value estimates using both the income approach and the sales comparison approach. In its income model, the appraisal relied on three (3) rental duplexes. The first rent comparable was the other

subject duplex with a reported rental rate of \$1,800 per month. The second property was a 1,728 square foot duplex located in Twin Falls with a monthly rental rate of \$1,900. The third rental property was another duplex in Twin Falls with a \$2,400 per month rental rate. Adjustments were made to the rent comparables for differences in size, bathroom count, and garages, resulting in adjusted rental rates from \$1,800 to \$2,800. The appraisal concluded a rental rate of \$1,800 per month for the subject property.

The appraisal next developed a gross rent multiplier (GRM) from three (3) recent duplex sales, though few details about the properties were shared. Sale prices ranged from \$250,000 to \$490,000, with reported monthly rental rates from \$1,900 to \$4,000. The appraisal calculated GRMs from 122.5 to 134.6, and concluded a GRM of 132 for subject. Applying the 132 GRM to the monthly rental rate of \$1,800, the appraisal's income model concluded a value of \$237,600 for the subject property.

Turning to the sales comparison approach, the appraisal analyzed three (3) duplex sales from nearby Twin Falls, as there were no recent similar duplex sales in Jerome. Sale No. 1 concerned a 2,112 square foot duplex constructed in 1994 which sold for \$350,000 in November 2022. Sale No. 2 was the August 2023 purchase of a 1,728 square foot duplex constructed in 1968 for \$250,000. Sale No. 3 was the \$273,000 sale in October 2022 of a 2,112 square foot duplex constructed in 1994. After adjusting for differences in gross building area, bathroom count, and garages, the appraisal determined adjusted sale prices of \$350,000, \$291,300, and \$291,000, respectively. The appraisal concluded a value of \$291,000 for the subject property using the sales comparison approach.

In its reconciliation of the two (2) above value indicators, the appraisal emphasized the sales comparison approach, “. . . as it best reflects buyer and seller reactions within the local real estate market.” Accordingly, the appraisal concluded a value of \$291,000 for the subject property as of September 26, 2023. Appellants disagreed with the final value conclusion and argued the value should be the midpoint of the two (2) value indicators, which equates to \$264,300. And because both subject properties are identical in age and design, Appellants contended both should be assessed the same value.

In support of subjects’ current valuations, Respondent offered a sales analysis comprised of three (3) duplex properties located in Twin Falls which sold during 2022. Sale No. 1 was a 2,016 square foot duplex constructed in 1995 which sold in June 2022 for \$417,000. Sale No. 2 concerned the same 2,112 square foot duplex represented in Appellants’ appraisal report as Sale No. 1 which sold in November 2022 for \$350,000. Sale No. 3 was the May 2022 purchase of a 2,430 square foot duplex constructed in 2005 for \$375,000. Respondent calculated an average price rate of roughly \$178 per square foot.

Respondent did not directly compare any of the sale properties to subjects, nor make any adjustments for differences in property characteristics. Respondent did, however, apply a downward location adjustment of 0.81% to account for subjects’ somewhat inferior location, resulting in an adjusted average price rate of roughly \$176 per square foot. The subject properties are assessed at roughly \$153 and \$157 per square foot, which Respondent argued was reasonable compared to the adjusted sale price data.

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

Appellants offered an independent appraisal of one (1) of the subject properties, which efforts were appreciated, but there were some concerns from the Board's perspective. First, the effective date of valuation was September 26, 2023, nearly ten (10) months after the controlling date in this matter. While the appraisal is untimely for

purposes of establishing subjects' market values on January 1, 2023, the bulk of the sales and rental data were from 2022, which is timely and was considered by the Board.

Another concern was the appraisal's income model. Though the subject duplexes are used as rental properties, the income approach is more commonly reserved for commercial or larger multi-family properties. And as echoed by the appraisal report itself, participants in the duplex market typically rely on the sales comparison approach for estimating market value for this property type. Even if such were not the case, the appraisal concluded a subject's monthly rental rate of \$1,800 was at market level, but it was less than the reported monthly rates for all the properties included in the analysis, which ranged from \$1,900 to \$4,000 per month. Nothing in the appraisal characterized subject as inferior to the other duplex properties in the data set, so it was unclear why the appraisal report determined a lower rental rate for the subject property. Quite the opposite, as the appraisal adjusted the rent comparables upward to match subject's somewhat superior characteristics. Given these concerns, minimal weight was afforded the appraisal's income model.

The appraisal's sales comparison analysis was better received by the Board, though it did include a duplex sale from August 2023. Excluding the untimely 2023 sale leaves two (2) duplex sales from late 2022 with sale prices of \$350,000 and \$273,000. In addition to being adjacent to each other, the sale duplexes were identical in age and gross building area, with the only noticeable difference being that one (1) of the duplexes included an attached garage for each unit. The appraisal made no adjustments to the higher priced sale but did make a garage adjustment to the other sale, resulting in an

adjusted sale price of \$291,000, which was also the final value conclusion for the subject property.

Respondent's value evidence consisted of three (3) duplex sales from 2022, though a traditional sales comparison model was not developed. While the information was timely, the reported sale prices exceeded subjects' assessed values by approximately \$27,000 to \$94,000, which suggests a notable degree of dissimilarity with the subject properties. However, without any direct comparisons to the subject properties it was unclear what some of these differences were or how the unadjusted price rates correlated to subjects' assessed values.

Overall, the timely sale prices in the record varied from \$273,000 to \$417,000, or roughly \$129 to \$207 per square foot, with an average of approximately \$354,000, or \$164 per square foot. By comparison, subjects' assessed values are \$323,006 and \$332,605, or about \$153 and \$157 per square foot, respectively. Based on the totality of the market data presented, the Board was strained to find the subject properties were overvalued for 2023.

The burden of establishing error in subjects' valuations is Appellants' to bear by a preponderance of the evidence. Idaho Code § 63-511. Given the evidence presented, the Board did not find the burden of proof satisfied. Appellants' value claim of roughly \$228,000 is well below all of the price data in the record, and where subjects' assessed values are comfortably within the range indicated by the sales, the Board did not find error in the valuations.

Based on the above, the decisions of the Jerome County Board of Equalization are affirmed.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decisions of the Jerome County Board of Equalization concerning the subject parcels be, and the same hereby are, AFFIRMED.

DATED this 7th day of February, 2024.