

BEFORE THE IDAHO BOARD OF TAX APPEALS

ANDREW MCDIR MID,	)	
	)	
Appellant,	)	APPEAL NO. 23-A-1021
	)	
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. RP037140000020. The appeal concerns the 2023 tax year.

This matter came on for hearing October 3, 2023, in Sandpoint, Idaho, before Board Member Kenneth Nuhn. Appellant Andrew McDirmid was 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 rural residential property.

The decision of the Bonner County Board of Equalization is modified.

FINDINGS OF FACT

The assessed land value is \$442,290, and the improvements' value is \$1,073,110, totaling \$1,515,400. Appellant contends the correct total value is \$1,196,000.

The subject property is a 3.58 acre residential parcel located in the Ravenswood Estates subdivision in Sandpoint, Idaho. The property is improved with a 3,479 square foot four (4) bedroom, three and one-half (3½) bathroom residence constructed in 2004

with an attached 972 square foot garage. The property is further improved with an additional 1,112 square foot garage constructed in 2020 and attached to the smaller garage.

Appellant questioned the roughly 26% increase in subject's assessed value, from \$1,200,589 last year, to \$1,515,400 for 2023. Appellant contended the current market value of the property is closer to \$1,200,000 based on several analyses of recent market activity. The first was a Comparative Market Analysis (CMA) prepared by a local realtor in July 2022. The CMA included two (2) sale properties, three (3) pending sales, and twelve (12) active listings. Based on the associated price data, the CMA concluded a value of \$1,210,000 as of July 2022.

The second analysis offered by Appellant was an updated version of the prior CMA performed by the same realtor in June 2023. The updated CMA included five (5) closed sales ranging in price from \$800,000 to \$1,325,000, one (1) pending sale for \$899,000, and two (2) active listings with asking prices of \$1,250,000 and \$1,700,000. The CMA determined a market value of \$1,196,341 for the subject property as of June 2023.

Lastly, Appellant developed a comparative sales model using seven (7) sales which transpired during 2022, some of which were included in the CMA reports and some of which had been previously shared by Respondent. The properties ranged in lot size from .58 to 10.0 acres and in dwelling size from roughly 1,700 to 3,600 square feet. Sale prices stretched from approximately \$640,000 to \$1,325,000. Each sale property was directly compared to subject and adjustments were made for differences in location, lot size, outbuildings, construction quality, and view, where appropriate. Appellant's analysis yielded adjusted sale prices from roughly \$990,000 to \$1,240,000. Against the values

indicated by the sales analyses, Appellant contended subject's current valuation of \$1,515,400 was overstated and argued the value should be reduced to \$1,200,000.

Respondent disagreed subject's assessed value was above market and offered several sales analyses in support. The first model included three (3) of the sale properties included in Appellant's updated CMA report. The sale residences ranged in gross living area from 1,200 to 3,600 square feet and in age from 1985 to 2006. Lot sizes were from 2.0 to 5.0 acres. Sale prices ranged from \$800,000 to \$1,325,000. The sale properties were compared to subject and adjustments were made for differences in land value, construction quality, age, gross living area, garage size, and other improvements. The result was adjusted sale prices from roughly \$1,385,000 to \$1,700,000.

Respondent's next sales analysis focused on the value of subject's residence. Three (3) improved residential sales from early 2022 formed the basis of the sales model. Sale prices were \$1,225,000, \$1,200,000, and \$1,649,000. In an effort to isolate the value attributable to the sale residences, Respondent removed the assessed land and other improvement values from the respective sale prices, which yielded residual price indications of approximately \$880,000, \$970,000, and \$1,200,000 for the sale residences. Respondent next made adjustments for differences in construction quality, age, gross living area, and garage size. The result was adjusted prices for the sale residences of roughly \$915,000, \$1,030,000, and \$1,075,000, respectively. Subject's residence is assessed at \$993,394, which Respondent noted was within the range indicated by the adjusted price data.

Respondent's third analysis was developed to support subject's assessed land value of \$403,290. Three (3) sales were included in the model, two (2) of which were the

same improved properties included in Respondent's first sales analysis. These two (2) improved properties sold for \$1,325,000 and \$850,000, from which Respondent removed the assessed values of all associated improvements, leaving residual land price indications of \$655,152 and \$561,400, respectively. The remaining sale property was a vacant five (5) acre lot which sold for \$500,000. Respondent made adjustments for differences in acreage and land grade, resulting in adjusted land price indications of roughly \$590,000, \$490,000, and \$400,000 for the respective sales.

Appellant expressed concerns with several aspects of Respondent's valuation models. Starting with the construction quality adjustments, which varied from \$106,040 to \$324,075, Appellant argued the differences in construction quality, if any, were exaggerated and therefore the adjustments should be removed from the analysis. More concerning to Appellant, however, was the absence of any adjustments for differences in view. Appellant explained the subject property is situated at the bottom of the subdivision so has limited views, whereas the bulk of Respondent's sale properties were at higher elevations so enjoyed more expansive views of the surrounding mountains, valley, and/or lake. It was further noted, the subject property was cleared of all timber prior to Appellant's ownership which diminishes the privacy, whereas the sales were largely timbered parcels. In Appellant's opinion, Respondent's failure to include any view adjustments was a gross error in subject's valuation.

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). Residential property is commonly valued using the sales comparison approach, which approach in basic terms compares recent sales of similar property with the subject property and makes appraisal adjustments for differences in key property characteristics.

Both parties developed valuation models using multiple recent sales, which efforts were appreciated by the Board. That being said, there were concerns with portions of the various analyses and resulting value indications. One such concern was with the Comparative Market Analysis (CMA) reports offered by Appellant. Both CMA reports relied heavily on active listings, particularly the July 2022 CMA report which utilized twelve (12) listings and only two (2) sales. While listings can offer an indication of the upper range of potential value, they are not considered the best indicators of market value; particularly where relevant sales data is available. The June 2023 CMA report included

fewer listings, but also included a handful of sales that closed during 2023, which are untimely for purposes of establishing the market value of the subject property on the January 1, 2023, date of assessment. Lastly, the value conclusions reached in the CMA reports were not the result of any comparative analysis, but rather represented simply the average sale/asking price of properties included in the data sets. Accordingly, minimal weight was afforded the CMA reports.

The comparative sales analysis developed by Appellant was better received by the Board. The model included seven (7) improved residential sales from 2022, with prices ranging from roughly \$640,000 to \$1,325,000. Each sale property was compared to the subject property and adjustments were made for noted differences, resulting in adjusted sale prices from \$993,000 to \$1,239,000.

Respondent developed three (3) sales analyses in support of subject's current valuation. The first model compared subject to three (3) of Appellant's sales on a "whole property" basis, similar to the analysis offered by Appellant. The remaining two (2) analyses were extraction models, one (1) in support of subject's residence and one (1) for the value of the land. While all three (3) models utilized recent sales data, there were questions regarding the reliability of the analyses. Most concerning was the inconsistency in some of the adjustments. For instance, the extraction model for subject's improvements included an age adjustment of roughly \$46,000 for a sale residence constructed in 2010, but then made a higher age adjustment of approximately \$56,000 for a different sale residence also constructed in 2010. In similar fashion, the different construction quality adjustments, one (1) for roughly \$106,000 and one (1) for \$148,000 were made to two (2) of the sales despite the residences having the same quality rating. Neither of these

adjustments are influenced by square footage, so it was curious why Respondent utilized different adjustment amounts for the same property characteristic.

Inconsistency was also observed in the application of the adjustments between Respondent's valuation models involving the same sale properties. For example, Respondent's first valuation model made an upward land value adjustment of approximately \$107,000 to the sale property located on Janish Drive, which suggests the parcel is inferior to the subject lot. However, in Respondent's extraction model in support of subject's land, a downward land grade adjustment of nearly \$100,000 was made to the same Janish Drive property, which suggests the parcel is superior to the subject lot. Similar inconsistency occurred with respect to the adjustments made to the sale property located on Hidden Spring Road.

Another concern with Respondent's analysis was the lack of consideration for view, which in the Board's experience can greatly influence market value. In this case, the subject property is located at the bottom of the subdivision with limited views. By contrast, several of Respondent's sale properties sit at higher elevations so enjoy expansive views of the mountains, valley, and/or lake, as evidenced by the photographs shared by Appellant. The Board found Respondent's lack of consideration for view a weakness in the overall consideration of subject's market value.

Lastly, it was not lost on the Board that of the eleven (11) total sales included in the parties' respective analyses, only one (1) sold in excess of subject's current assessed value of \$1,515,400. The comparability of this particular sale property however, was questionable, as evidenced by gross adjustments exceeding 50%, resulting in an adjusted sale price of \$1,076,334. Nothing in the record suggested subject was superior

to nearly every sale property in the record, many of which were newer, larger, and enjoyed superior views. In all, the Board strained to find support for subject's current assessed value.

Pursuant to Idaho Code § 63-511, Appellant bears the burden of establishing error in subject's valuation by a preponderance of the evidence. Given the record in this matter, the Board found the burden of proof satisfied, though did not find adequate support for the valuation petitioned by Appellant. As subject is a unique custom property, it is not surprising that both parties' analyses included rather large adjustments to the sales for purposes of comparison with subject. Rather than exclude those sales with the higher adjustments, which would eliminate most of the sales data, the Board instead included all of the sales in the final analysis. Based on the sales data, with consideration given for subject's lesser view amenity, the Board found good cause to reduce subject's total assessed value to \$1,275,000, which approximates the average adjusted sale price of the parties' sales.

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 valuation to \$1,275,000, with \$442,290 attributable to the land and \$832,710 to the improvement.

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 Appellant.

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 18th day of December, 2023.