

BEFORE THE IDAHO BOARD OF TAX APPEALS

FRED OLIVER,	)	
	)	
Appellant,	)	APPEAL NO. 23-A-1032
	)	
v.	)	FINAL DECISION AND ORDER
	)	
VALLEY COUNTY,	)	
	)	
Respondent.	)	
	)	
_____	)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Valley County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. RP006610110020. The appeal concerns the 2023 tax year.

This matter came on for hearing September 28, 2023, in Cascade, Idaho, before Board Member Leland Heinrich. Attorney David Leap appeared at hearing for Appellant. Valley County Assessor Sue Leeper 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 Valley County Board of Equalization is affirmed.

FINDINGS OF FACT

The assessed land value is \$1,918,470, and the improvements' value is \$1,439,269, totaling \$3,357,739. Appellant agrees with the land value, however contends the correct improvements' value is \$990,288, totaling \$2,908,758.

The subject property is a .55 acre residential parcel with 112.33 feet of waterfront along the western shores of Payette Lake in McCall, Idaho. The property is improved with

a three (3) bedroom, three (3) bathroom 2,420 square foot residence constructed in 1985 with an effective year of 2005. Other improvements include a 520 square foot attached garage, a lake deck, a ramp, and a boat dock.

Appellant agreed subject's land value was reasonable given the rapidly appreciating local real estate market over the last several years, however contended the roughly \$1,400,000 valuation of the improvements was a "substantial miss." In an effort to demonstrate subject's improvements were overassessed, Appellant developed several value opinions using various methodologies. The first analysis started with excerpts from an appraisal of the subject property from 2016 when the State of Idaho owned the land and leased it out as a cottage site. The appraisal concluded a market value of \$1,545,000 for the fee simple estate and a value of \$365,000 attributable to the improvements as leasehold personal property. Appellant next applied a 278.329% increase to the \$365,000 figure, which was sourced from the Zillow Home Value Index for McCall between 2016 and 2022. The result was a value estimate of \$1,015,902, or \$420 per square foot, which Appellant viewed as the upper limit of potential value.

Appellant additionally offered an opinion of value developed by a local realtor. The analysis included four (4) improved residential sales from 2022. The sale residences were generally similar to the subject residence in terms of age and finished living area, though three (3) of the lots were less than one-half ($\frac{1}{2}$) the size of the subject lot and none were on the lake. Sale prices ranged from \$709,000 to \$855,000, with a median price rate of \$388 per square foot. Applying the median rate to subject's 2,420 square feet, the report calculated a total value of roughly \$940,000. In an effort to isolate the value attributable to subject's improvements, the report subtracted \$160,750 as the land contribution, which

was the median sale price of four (4) vacant city lots. The realtor's report concluded a value of \$779,210 for subject's improvements.

Lastly, Appellant developed an opinion of value from a list of sales previously shared by Respondent. Of the twelve (12) sales on the list, one (1) was from 2020, four (4) were from 2021, five (5) were from 2022, and two (2) closed in February 2023. Appellant argued the 2023 sales were untimely, as they occurred after the January 1, 2023, date of valuation, so they were removed from the analysis. Appellant also discarded the sales from 2020 and 2021, arguing the data was too stale for developing a reliable opinion of current market value. Appellant additionally removed two (2) of the 2022 sales from the analysis due to the drastic size differences between the sale residences and the subject residence. The three (3) remaining 2022 sales involved residences 2,404, 1,240, and 2,332 square feet in size, which were constructed in 1980, 1950, and 1985, respectively. The respective sale prices were \$4,160,000, \$5,000,000, and \$1,000,000. Rather than using the reported sale prices, Appellant used the assessed values of the three (3) sale properties to calculate an average value of \$409.21 per square foot for the improvements. Applying this rate to subject's 2,420 square feet yielded a value of \$990,288 for subject's improvements. Based on the above indicators, Appellant argued the value of subject's improvements is overstated and should be reduced.

Respondent generally questioned the reliability of Appellant's value models. Specifically, Respondent stressed that none of the sales included in the realtor's valuation report involved lakefront properties and therefore were not relevant for estimating the value of a lakefront parcel like subject. With respect to Appellant's last valuation model based on 2022 sales, Respondent pointed out all the sale residences were inferior in

construction quality to the subject residence, and the third sale was between family members, so was not an arm's-length transaction. Lastly, Respondent contended the roughly 278% increase in values reported by Zillow was not reflective of activity in the lakefront market. According to Respondent, the average sale price on Payette Lake over the last two (2) years was approximately \$4,800,000.

Respondent's valuation model included six (6) lakefront sales: two (2) from 2021, four (4) from 2022, and one (1) from February 2023. Sale No. 1 concerned a parcel with 100 waterfront feet improved with two (2) dwellings constructed in 1950 and 1970. The property sold for \$5,000,000 in July 2022. Respondent reported both dwellings were removed shortly after purchase.

Sale No. 2 was a 4,251 square foot residence situated on a waterfront parcel with 86.5 feet of shoreline. The property sold for \$6,403,324 in August 2022.

The third sale was the February 2023 purchase for \$3,200,000 of a parcel with 53.2 waterfront feet improved with a residence constructed in 1966 and a second dwelling built in 1977.

Sale Nos. 4 and 5 both closed in September 2021 for \$7,100,000 and \$3,000,000, respectively. The former concerned a lakefront lot with 87.8 feet of shoreline improved with a 4,312 square foot residence constructed in 2019, and the latter was 1,700 square foot residence with an effective year built of 2005 on a parcel with 52 front feet on the lake.

Lastly, Sale No. 6 was the \$4,160,000 purchase in November 2022 of a parcel with 124 waterfront feet improved with a 1,520 square foot residence with an effective year built of 1980.

Even though it occurred in late 2021, Respondent regarded Sale No. 5 as the best indicator of subject's value because the sale residence shared the same construction quality rating and effective built year as the subject residence. In an effort to reflect pricing levels on January 1, 2023, Respondent applied a time adjustment of roughly .9% per month to the September 2021 sale price of \$3,000,000, resulting in a time-adjusted sale price of \$3,414,000. Subject's current assessed value is \$3,357,739, which Respondent argued was reasonable against the available lakefront sales data.

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 sales comparison approach, the cost approach, and the income approach comprise the three (3) primary methods for estimating the market value of real property. *Merris v. Ada Cnty.*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). Residential

property is commonly valued using the sales comparison approach. In simple terms, the approach involves a comparison of recent sales of similar properties to subject, with adjustments made for differences in key property characteristics.

In support of reducing the value of subject's improvements, Appellant offered several analyses developed through recent sales, which efforts were appreciated by the Board. That being said, there were some concerns. Starting with the realtor's valuation report, there were questions about the comparability of the sales to the subject property. Most troubling was the absence of any lakefront sales in the group. Instead, the model relied on four (4) sales involving mostly older and somewhat smaller residences away from the lake. Unsurprisingly, none of the non-waterfront sale prices exceeded \$855,000, which is markedly different than prices for lakefront, which ranged from \$3,000,000 to \$7,100,000. The effect of using the lower non-waterfront sale prices was a lower starting point and in turn a lesser per-square-foot value indication for subject's improvements. In short, the Board was not persuaded the realtor's analysis represented the best indication of subject's current market value.

The Board was likewise unconvinced the three (3) sales from 2022 utilized in Appellant's own valuation analysis yielded a reliable value estimate for the subject property. To begin, one (1) of the sales was a transfer between family members, so it was not an arm's-length transaction. The reported sale price of \$1,000,000 was a clear outlier in the entire group of lakefront sales and therefore should not have been included in the analysis. Another concern was the lack of any adjustments for the inferior construction quality ratings of all three (3) sale residences compared to the "good" quality rating of the subject residence. Lastly, one (1) sale residence was only about one-half ($\frac{1}{2}$) the size of

subject's residence. To make any meaningful comparisons on a per square foot basis as advocated by Appellant, it is critical that the sale properties closely approximate the subject property in key areas, such as quality, size, location, and amenities. At the very least, appraisal adjustments would be needed to account for differences in property characteristics known to influence value. No such adjustments were made in Appellant's analysis, which served to undermine the reliability of the resulting value conclusion.

Respondent's sales data was better received by the Board. Admittedly, there were notable physical differences between subject and the sale properties, but they did share one (1) critical characteristic: all were lakefront parcels. And it is well-known that a water amenity can greatly influence a property's value in the marketplace. Sound appraisal practice would advise non-waterfront properties should generally not be used to develop an estimate of value for a waterfront parcel. Appellant was concerned a couple of the sales were from 2021, but Respondent accounted for the older sale dates by applying time adjustments to bring the prices up to current market levels, which is common appraisal practice. Sale prices for Respondent's lakefront sales ranged from \$3,000,000 to \$7,100,000, with time-adjusted prices from \$3,200,000 to \$8,079,800. Given that subject's current assessed value of \$3,357,739 is near the bottom of the range indicated by the available lakefront sales, the Board did not find support for a reduction in valuation.

In appeals to this Board, pursuant to Idaho Code § 63-511, the burden of proof is with Appellant to establish subject's valuation is erroneous by a preponderance of the evidence. Given the record in this matter, the Board did not find the burden of proof satisfied. While the Board understands Appellant's issue centered on the assessed value

of subject's improvements, the relevant inquiry is whether the total assessed value is at market level, not the allocation of that total value between the land and improvements. This is because real property is typically purchased as a whole unit, not by its individual components. In this regard, Respondent's valuation model was judged the more reliable indicator of market value, as it focused on subject's total value, and the value conclusion was well within the range suggested by the sales.

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

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Valley County Board of Equalization concerning the subject parcel be, and the same hereby is, AFFIRMED.

DATED this 19th day of December, 2023.