

BEFORE THE IDAHO BOARD OF TAX APPEALS

BARTON ARMSTRONG,	)	
	)	
Appellant,	)	APPEAL NOS. 23-A-1162 and
	)	23-A-1163
v.	)	
	)	FINAL DECISION AND ORDER
BANNOCK COUNTY,	)	
	)	
Respondent.	)	
	)	
	)	
	)	

RESIDENTIAL PROPERTY APPEALS

These appeals are taken from decisions of the Bannock County Board of Equalization denying appeals of the valuations for taxing purposes on properties described by Parcel Nos. RPRPCPP119507 and RPRPCPP119508. The appeals concern the 2023 tax year.

These matters came on for hearing October 13, 2023, in Pocatello, Idaho, before Board Member Doug Wallis. Appellant Barton Armstrong was self-represented. Bannock County Chief Deputy Assessor Randy Hobson 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 Bannock County Board of Equalization are modified.

FINDINGS OF FACT

Parcel No. RPRPCPP119507 (Appeal 23-A-1162)

The assessed land value of this .46 acre parcel is \$71,000, and the improvements' value is \$213,451, totaling \$284,451. Appellant contends the correct total value is \$220,000.

Parcel No. RPRPCPP119508 (Appeal 23-A-1163)

The assessed land value of this .50 acre parcel is \$71,000, and the improvements' value is \$215,992, totaling \$286,992. Appellant contends the correct total value is \$220,000.

The subject properties are adjacent residential parcels located across the street from the Riverside Golf Course in Pocatello, Idaho. The properties are improved with identical duplex buildings constructed in 1999. Each duplex building consists of two (2) bi-level units with 968 square feet above grade and 896 square feet in the basement. Each duplex unit is comprised of two (2) bedrooms, one (1) bathroom, and a 336 square foot attached garage.

Appellant described the subject duplex buildings as somewhat dated and in need of interior remodeling. The units lack air conditioning and have zonal electric heating rather than gas heating which is preferred by tenants. Appellant also stressed the roofs are original and need to be replaced. In Appellant's view, subjects' current valuations are inflated, as they do not adequately reflect these condition issues.

In support of lower valuations for the subject properties, Appellant offered details on five (5) local duplex sales. The sale duplexes were single-level designs with basements, and all had gas heating. Sale No. 1 was a 2,240 square foot duplex comprised of six (6) bedrooms and two and one-half (2½) bathrooms constructed in 1928, which sold in November 2021 for \$224,900, or \$100 per square foot. Sale No. 2 concerned a 2,044 square foot four (4) bedroom, two (2) bathroom duplex constructed in 1940 with a September 2022 sale price of \$250,000, or \$122 per square foot. Sale No. 3

was the January 2022 purchase of a 1,968 square foot four (4) bedroom, two (2) bathroom duplex constructed in 1951 for \$257,200, or \$130 per square foot. Sale No. 4 was the \$269,996, or \$100 per square foot, purchase in January 2022 of a 2,693 square foot five (5) bedroom, two (2) bathroom duplex constructed in 1951. Sale No. 5 concerned a 1,728 square foot four (4) bedroom, two (2) bathroom duplex constructed in 1944, which sold for \$260,000, or \$150 per square foot, in September 2022. Appellant noted Sale No. 5 was recently updated with new kitchen cabinets, flooring, and vinyl windows. With the exception of the recently renovated Sale No. 5, Appellant contended subjects' current assessed values, at \$1,350¹ per square foot, were excessive by comparison.

Respondent first explained the small difference in subjects' respective assessed values was due to different exterior siding types reflected in the property records. After reviewing the details with Appellant, it was confirmed both subject duplex buildings have the same exterior siding. As the duplexes are identical, Respondent opined both should have the same assessed value, so petitioned the value of subject Parcel No. RPRPCPP119508 be reduced to \$284,451.

Respondent additionally offered information concerning six (6) duplex sales in support of subjects' valuations. With the exception of Sale Nos. 4 and 6, which were one (1) story buildings, the sale duplexes were single-level designs over basements. Sale No. 1 concerned a 2,044 square foot duplex constructed in 1977 which sold in October 2021 for \$260,000. Sale No. 2 was the June 2022 purchase of a 2,956 square foot duplex constructed in 1977. Sale No. 3 was a 1,700 square foot duplex constructed in 1976 which sold for \$253,000 in October 2021. Sale No. 4, which transpired in June 2022, involved

¹Appellant calculated subjects' \$135 per square foot assessment rate using an interior size measurement of 1,775 square feet instead of the exterior size measurement of 1,864 square feet utilized by Respondent.

the sale of a 1,924 square foot duplex constructed in 1940 for \$285,000. Sale No. 5 was the \$230,000 purchase in April 2022 of a 1,490 square foot duplex constructed in 1955. Sale No. 6 concerned a 2,124 square foot duplex constructed in 1940, which sold for \$275,000 in June 2022.

Respondent first applied a 1% per month upward time adjustment to the respective sale prices to reflect pricing levels on January 1, 2023, the relevant date of valuation in this matter. Respondent next isolated the values attributable to the sale duplexes by removing assessed land and garage values from the sale prices. The result was adjusted sale prices from \$205,200 to \$367,000, or from \$113 to \$138 per square foot, for the sale duplexes. The subject duplexes are valued at \$112 per square foot, which Respondent maintained was reasonable against the adjusted 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 three (3) 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). Residential property is commonly valued using the sales comparison approach, which involves a comparison of recent sales to the subject property with appraisal adjustments made for differences in relevant property characteristics.

Before evaluating the parties' value evidence, the Board will accept Respondent's request to reduce the total valuation of Parcel No. RPRPCPP119508 to match the assessed value of the adjoining subject property, as the duplexes are identical.

Turning now to the issue of subjects' valuations, neither party developed a traditional sales comparison model, though both did provide recent duplex sales information for the Board's consideration. In total, eleven (11) duplex sales which transpired from October 2021 to September 2022 were offered. Appellant's five (5) duplex properties sold for prices ranging from roughly \$225,000 to \$270,000, and Respondent's sale prices were from \$230,000 to \$400,000 for its six (6) sale properties.

While it is noteworthy that subjects' valuations of roughly \$285,000 each is higher than all but two (2) of the parties' reported sale prices, nine (9) of the sales in the group occurred prior to July 2022, and therefore do not reflect pricing levels on January 1, 2023. To account for differences in the marketplace, Respondent applied a 1% per month time adjustment to the respective sale prices, which is a common appraisal technique and an important adjustment to make during a rapidly changing real estate market such as was the case in 2022. Respondent calculated time-adjusted sale prices from roughly \$250,000

to \$428,000. Applying the same time-adjustment factor to Appellant's sales yields adjusted sale prices from approximately \$256,000 to \$302,000.

Respondent's use of a time adjustment was well-received by the Board, but the weakness in the broader analysis was the lack of adjustments for differences in property characteristics between the subject properties and the sale duplexes such as age, square footage, and location. Though details were somewhat limited with respect to Respondent's sales, there were clearly notable differences in the properties, as evidenced by the widely divergent sale prices, which varied nearly \$250,000 from the lowest to the highest. Similar levels of variance were observed with respect to the per-square-foot rates calculated by both parties, though this was due to the differences in square footage, which varied by as much as roughly 1,100 square feet compared to subjects. A per-unit comparison is not particularly meaningful unless there is a high degree of similarity between the units being compared, which in this case is square footage. In all, the lack of adjustments to the sales was a weakness in the parties' respective analyses.

Another concern from the Board's perspective was the notably older ages of the sale duplexes, which ranged in year built from 1928 to 1977. Presumably, the properties have been updated since initial construction, but no such details were in the record. The subject duplexes, on the other hand, are nearly twenty-five (25) years old and have not been updated. In addition to needing a roof replacement, Appellant shared that prospective tenants have expressed concerns with subjects' zonal electric heat instead of gas heat, which is the preferred heating source in the local rental market. While tenants may have expressed a preference for gas heat, there was no indication subjects' market

values have been negatively impacted by the lack of gas heat. The same cannot be said, however, for the roof replacement issue. A potential buyer would undoubtedly consider the costs associated with replacing the roofs in a decision to purchase the subject properties. Respondent's valuation of the subject properties did not include any specific consideration for the roof issues, which was an oversight in the Board's view.

Pursuant to Idaho Code § 63-511, Appellant bears the burden of demonstrating error in subjects' assessed values by a preponderance of the evidence. Given the record in this matter, the Board found the burden of proof satisfied but did not find sufficient support for the values petitioned by Appellant. Though the parties' sales information was appreciated, the sale properties varied widely in many key areas, which made meaningful comparisons with the subject properties somewhat difficult. The roughly \$285,000 assessed value of each subject property is within the range of value indicated by the parties' time-adjusted price data; however, consideration needs to be given to the roof issues. The Board will therefore reduce the value of each of the subject properties.

Based on the above, the decisions of the Bannock County Board of Equalization are modified as detailed below in the final order.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decisions of the Bannock County Board of Equalization concerning the subject parcels be, and the same hereby are, MODIFIED, as follows:

Parcel No. RPRPCPP119507 – (Appeal No. 23-A-1162)

Land	\$ 71,000
<u>Improvements</u>	<u>\$200,000</u>
Total	\$271,000

Parcel No. RPRPCPP119508 – (Appeal No. 23-A-1263)

Land	\$ 71,000
<u>Improvements</u>	<u>\$200,000</u>
Total	\$271,000

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 values for the current tax year shall not be increased in the subsequent assessment year.

DATED this 19th day of January, 2024.