

BEFORE THE IDAHO BOARD OF TAX APPEALS

REGENCE BLUESHIELD OF IDAHO, INC.,	)	
	)	
Appellant,	)	APPEAL NO. 25-A-1231
	)	
v.	)	FINAL DECISION AND ORDER
	)	
NEZ PERCE COUNTY,	)	
	)	
Respondent.	)	
	)	
	)	
	)	

COMMERCIAL PROPERTY APPEAL

This appeal is taken from the failure of the Nez Perce County Board of Equalization to act on an appeal concerning the valuation for taxing purposes on property described by Parcel No. RPL12430010010. The appeal concerns the 2025 tax year.

This matter came on for hearing January 22, 2026, in Lewiston, Idaho, before Board Member Kenneth Nuhn. Attorney Michelle DeLappe appeared at hearing for Appellant. Nez Perce County Deputy Prosecutor Travis Hartshorn represented Respondent.

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

The issue on appeal concerns the market value of an improved commercial property.

The decision of the Nez Perce County Board of Equalization is modified.

FINDINGS OF FACT

The assessed land value is \$1,865,850, and the improvements' value is \$12,775,000, totaling \$14,640,850. Appellant contends the correct total value is \$7,975,000.

Before describing the subject property and discussing the issues presented in this appeal, a brief history of events leading to this point is appropriate. For the 2024 assessment year, the original total assessed value of the subject property was \$22,538,211. Appellant appealed the 2024 valuation to the Nez Perce County Board of Equalization (BOE). Following a hearing before the BOE, the original 2024 assessed value was upheld. Appellant appealed the BOE's decision to this Board, which reduced the subject property's total assessed value to \$14,500,000, with \$1,725,911 attributable to the land and \$12,774,089 to the improvements.

For the current 2025 assessment year, subject's total valuation increased to \$14,640,850, due primarily to a market trend applied to last year's land value. Appellant appealed the 2025 assessment to the BOE, but no hearing was scheduled. In a June 2025 letter explaining its decision declining to consider Appellant's appeal, the BOE contended that, pursuant to Idaho Code § 63-3813, the 2024 value ordered by this Board was to remain frozen for two (2) years. As such, the BOE reasoned there was no basis for Appellant's appeal, so declined to hear the matter. Appellant timely appealed the BOE's failure to act to this Board, which brings the timeline current.

Turning now to the current appeal, the parties reported there have been no physical changes to the subject property since last year's appeal, nor has the severe under-utilization of the property changed. As things have remained the same over the last year, this decision will borrow the following descriptive summary of the subject property from the 2024 decision,

The subject property is a multi-building corporate campus located in Lewiston, Idaho. The campus encompasses 7.14 acres and is comprised

of four (4) office buildings totaling 111,301 square feet in size and a five¹ (5) level parking structure. Building A, constructed in 1972 and remodeled in 1993, includes 9,600 square feet on the main floor and 9,180 square feet of finished basement space. Building B was constructed in 1988 and has 7,072 square feet on the main floor and 7,072 square feet in the finished basement. Building C, constructed in 1993, has 13,636 square feet on the main floor and 13,516 square feet in the finished basement. Building C is connected to Building A via underground tunnels. The newest building, Building D, is a 51,225 square foot three (3) story office building constructed in 2006. To accommodate the overflow parking following the construction of Building D, the 156,391 square foot parking garage was constructed in 2008, with a 6,775 square foot fitness center on the upper deck.

In addition to an independent appraisal of the subject property, Appellant also shared some recent operating history of the campus. According to Appellant, the utilization of the subject property began to decline in 2015. Some of the initial shift in the property's utilization stemmed from changes in the business operations hosted on-campus. For example, Building A was initially used as a payment processing center, including in-person payments by customers, but functions such as that have either been relocated or otherwise discontinued. Another contributing factor to subject's reduced utilization was the COVID-19 pandemic and the shift to remote work that followed. At its peak, there were roughly 700 employees working on the subject campus, but currently only an average of 12 to 20 employees utilize the facility per day. In terms of square footage, only the first floor of Building D, and less than one-half ($\frac{1}{2}$) of the first floor in Building C, is currently being occupied. According to Appellant, only approximately 21,000 square feet of subject's nearly 112,000 total square feet are being used.

¹ The parking garage is a six (6) story structure.

estimated 75% have full-time telecommute arrangements so do not even have security badges to access the subject facility.

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Though no active efforts have been made, Appellant has considered leasing or selling the unused office space but would likely retain Building D for its own use. In Appellant's view, it would be difficult to sell subject as a single-tenant property, as there is insufficient demand in the local market for a property with 100,000 square feet of office space. Therefore, Appellant suggested an investor as the likely purchaser, who would convert the subject property into a multi-tenant office project, which would require considerable remodel work and an unknown period of downtime during construction and the lease-up period. In support of a lower current assessment of the subject property, Appellant offered what was effectively an updated version of the fee appraisal report used in the 2024 appeal authored by the same MAI appraiser. The new appraisal employed the same valuation methodologies and techniques as the prior report, but due to activity in the marketplace over the past year, some inputs into the new valuation models were different than the prior versions.

The appraisal's cost approach began with the value of subject's 7.14 acres. In this regard, three (3) land sales, two (2) located in Lewiston, and one (1) across the river in Clarkston, Washington, were analyzed. The parcels varied in size from 3.13 to 10.07 acres, and sale prices ranged from \$2.96 to \$9.00 per square foot. After adjusting for size differences, the appraisal determined adjusted price rates from \$3.11 to \$8.55 per square foot. A value of \$6.00 per square foot, or \$1,865,000, was concluded for the subject parcel.

To estimate the value of subject's improvements, the appraisal relied on cost data from Marshall Valuation Service (MVS). The appraisal grouped Buildings A, B, and C together and separately valued the above-grade square footage and the below-grade

footage of these Class C – Average buildings. Separate value estimates were also developed for Building D, as a Class A – Average building, the parking garage (Class B – Average/Good), and the fitness center (Class C – Good). Adjustments were applied for HVAC, sprinklers, story height, and perimeter to arrive at adjusted base costs for the respective buildings. After applying local and current cost multipliers and adding 5% for indirect costs and a 10% entrepreneurial profit, the appraisal determined the following replacement cost new figures:

<u>Improvement Name</u>	<u>Square Feet²</u>	<u>Adjusted Base Rate</u>	<u>Replacement Cost New</u>
Building A, B, C (above grade)	31,827	\$179.03	\$ 5,697,887
Building A, B, C (below grade)	29,994	\$129.30	\$ 3,878,139
Building D	50,025	\$287.87	\$14,400,000
Parking Garage	126,393	\$100.59	\$12,713,301
<u>Fitness Center</u>	<u>6,122</u>	<u>\$ 92.11</u>	<u>\$ 563,905</u>
	244,361		\$32,254,661

In addition to physical depreciation, the appraisal also considered potential depreciation caused by functional and/or external obsolescence. Noting subject's improvements were constructed using modern materials, and the design and layout of the buildings are consistent with current market standards, the appraisal did not observe any functional obsolescence. The same, however, was not concluded with respect to external obsolescence. The appraisal noted, "[i]n the case of the subject, the source of obsolescence is the remote work/work-from-home shift which has cratered demand for office space suited to back office and call center uses such as those formerly performed in the subject property."

² The appraisal utilized a combined gross size figure of 111,846 square feet for the four (4) office buildings, which varied slightly from the combined size of 111,301 square feet reported by Respondent in the 2024 appeal.

Rather than attempting to isolate and quantify each form of depreciation, the appraisal instead utilized a market extraction technique to measure all forms of depreciation together in a single analysis. To accomplish this, the appraisal developed replacement cost estimates for each of the five (5) sale properties included in the sales comparison model discussed later in this decision. The difference between the replacement cost new estimates and the respective sale prices represents the property's total depreciation from all sources. In this case, the appraisal calculated depreciation rates ranging from 2.0% to 6.4% per year. An annual depreciation rate of 3.6% was used for subject's improvements, or a total depreciation factor of 85%. Applying the depreciation factor to the respective replacement cost new estimates yielded a total depreciated value of \$5,588,120 for the buildings.

Lastly, the appraisal evaluated the associated site improvements. A replacement cost new of roughly \$860,000 was determined for the paving and landscaping. After depreciation, the appraisal concluded a value of \$128,896 for the site improvements. Adding the value of the site improvements and the land value determined earlier to the depreciated value of the buildings yielded a rounded total value conclusion of \$7,600,000, which equates to \$31.10 per square foot for the gross building area, or \$69.56 per square foot for the net rentable area, which excludes the parking garage.

The appraisal's sales comparison model was developed using five (5) recent office sales. Sale No. 1³ was a former corporate headquarters property in Spokane, Washington comprised of three (3) office buildings and a parking garage. Originally constructed in 1982, and last updated in 2006, the Class – B office property included nearly 103,000

³ This property was included in the appraisal report Appellant presented in last year's appeal, but it was just a listing at that time, not a closed sale.

square feet of net rentable area. The property went under contract in October 2024 for \$6,450,000, or \$62.80 per square foot, and closed in January 2025 at the contract price.

Sale No. 2 concerned an office building in Kent, Washington with 81,464 square feet of net rentable space. This two (2) story Class B office building was constructed in 1986. The property formerly served as a credit union for Boeing employees and was sold for \$11,250,000, or roughly \$138 per square foot, to the City of Kent in November 2024.

Sale No. 3 was the July 2024 purchase of an office property located in Tukwila, Washington. The one (1) story Class B office building, with 40,713 square feet of leasable space, was constructed in 1986 and remodeled in 2015. This property sold for \$6,850,000, or approximately \$168 per square foot.

The fourth sale in the analysis was a two (2) level multi-tenant medical office building in Lewiston, Idaho. The building was constructed in 1986 and included 9,930 square feet of net rentable area. The property sold for \$1,350,000, or nearly \$136 per square foot, in June 2024. According to the appraisal, the buyer purchased the property with the intent to convert it into a hospice facility. The hospice use was not approved by the city, and the property was under contract again in October 2025.

The final sale concerned a 151,365 square foot two (2) story building in Boise, Idaho. The building was constructed in 1996 to function as a call center for a large national corporation. In April 2024, the property was sold to Ada County Highway District for \$16,400,000, or \$108.35 per square foot, to serve as the agency's headquarters building.

The sales were each compared to the subject property, and adjustments were made for differences in location, size, age/quality/condition, and financing, where appropriate. The result was adjusted price rates from roughly \$56 to \$103 per square

foot. In weighing the adjusted price data, the appraisal assigned 50% weight to Sale No. 1 due to its similar use and multi-building campus layout and parking garage. Secondary weight (20% each) was afforded Sale Nos. 4 and 5, and minimal consideration was given to Sale Nos. 2 and 3, as the most distant from the subject property and requiring the heaviest adjustments. Ultimately, the sales model concluded a value of \$7,975,000, or roughly \$73 per square foot for the subject property.

In the final reconciliation, the appraisal placed all weight on the sales comparison approach because “[m]arket participants rely on the Sales Comparison Approach in purchase and sale decisions of properties like subject.” The cost approach was noted to support the value indicated by the appraisal’s comparative sales model, and “. . . demonstrates the market activity significantly below replacement cost in call center properties like the subject.”

Respondent did not develop any valuation models, nor otherwise offer an opinion of subject’s market value. Respondent contended the value ordered in the Board’s decision regarding subject’s 2024 assessment was to remain frozen for the current 2025 assessment year, except for market trending. Respondent argued that if Appellant disagreed with the 2024 value ordered by the Board, the appropriate process to petition for a lower valuation would have been to either file a motion for reconsideration with the Board or appeal the Board’s decision to district court, or both. In Respondent’s opinion, Appellant missed the opportunity to seek a reduction in subject’s value so should not be permitted what effectively amounts to a second chance through this current appeal.

Regarding Appellant’s appraisal report, Respondent was particularly concerned with the appraisal’s heavy reliance on Sale No. 1, which closed on January 28, 2025,

nearly one (1) month beyond the January 1, 2025, assessment date. Respondent argued that, because market value for assessment purposes is to be determined annually as of January 1st, it was improper to include a sale from after January 1, 2025, in the valuation analysis. And because the untimely sale heavily influenced the overall analysis, Respondent did not view Appellant's appraisal as a reliable indicator of subject's current market value.

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.

Before discussion of the assessed value of the subject property, the Board will first address Respondent's concerns regarding the validity of this appeal. Respondent contended a value ordered by this Board must remain in place for two (2) years, except for market trending or a physical change to the property at issue. In Respondent's view, there is no basis for the current appeal because the assessor simply assessed the subject property at the 2024 value ordered by this Board, plus an 8.1% market trend to the land value. And further, if Appellant did not agree with the value determined by the Board, it was argued Appellant should have filed a reconsideration motion or appealed to district court. The Board disagrees on all counts.

To begin, the fact that Appellant could have pursued other avenues to seek a reduction or redetermination of the 2024 value ordered by the Board is irrelevant because

that was last year's valuation and this appeal concerns the 2025 assessment of the subject property. Idaho requires all non-exempt property to be assessed annually at market value as of January 1. Idaho Code §§ 63-203 and 63-205. Every year, the assessor is tasked with determining the market value of each property in the county, which determination is memorialized in an assessment notice issued to property owners. This is an assessment decision, and pursuant to Idaho Code § 63-501A(1), "Taxpayers may file an appeal of an assessment or exemption decision with the county board of equalization." Each assessment decision is appealable the year in which such assessment is issued, regardless of any assessment decisions made, or not made, in prior years. Stated simply, each assessment year stands on its own, and the property owner, or the county assessor with respect to a decision of the county board of equalization, is permitted to appeal. The Board understands the value reflected on subject's 2025 assessment notice traces directly to the value this Board set for 2024, but the 2025 assessment notice is nonetheless an assessment decision and can therefore be appealed to the BOE and further, if necessary.

The Board also disagrees with Respondent's general contention that a taxpayer cannot appeal a value ordered by this Board in a prior assessment year. Idaho Code § 63-3813 reads in relevant part,

[A] final decision or order of the board of tax appeals directing a market value change for taxable property that is not further appealed [to district court] shall be fixed for the current year appealed and *there shall be no increase in the value for the subsequent assessment year* when no physical change occurs to the property; provided however, that annual trending or equalization applied to all properties of a property class or category within the county or a clearly defined area shall still apply.

(Emphasis added).

While the above statute is often casually referred to as the fixed value law, a value ordered by the Board is not truly “fixed” for two (2) years; it can change the second year under certain circumstances. Relevant to the case here is that the statute effectively prohibits a Board-ordered value from being *increased* the subsequent assessment year. The statute makes no reference to lowering an ordered value. This was not an oversight by the legislature in drafting the statute but rather a keen recognition that market conditions and circumstances can change rapidly, so allowing some flexibility is a prudent measure. Rather than stubbornly locking in a value for an additional year regardless of market conditions, the statute instead allows for consideration of new information or circumstances that materially impact the property’s market value. This is of course consistent with the foundational principle of Idaho’s property tax system in which all taxable property is to be assessed at market value.

The case at bar illustrates how the flexibility built into the statute operates both ways. Respondent trended subject’s land value upward based on market conditions over the course of the last year, and Appellant’s new value position stemmed from the discovery of new sales data. To accept Respondent’s position would be to effectively hold that the assessor is allowed to increase a Board-ordered value through market trending, but the taxpayer is not permitted seek a reduction in value when new market or other material information comes to light. This would be patently unfair and biased against property owners, and likely violative of basic principles of due process. The Board is disinclined to make such a finding.

We turn now to the issue on appeal, the market value of the subject property. Idaho Code § 63-205 requires taxable property be assessed at market value annually on

January 1; January 1, 2025, 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. There are three (3) approaches to value: 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).

Appellant offered an independent appraisal of the subject property with an effective date of valuation of January 1, 2025. Though used more as a test of reasonableness for the value conclusion reached in its sales comparison approach, the appraisal did develop a cost approach model using MVS cost tables and market-derived depreciation which concluded total value of \$7,600,000 for the subject property. The appraisal’s comparative model analyzed five (5) recent commercial office sales. Included in the data set was a sale that closed in January 2025. This sale property, which the Board described as “strikingly similar” to the subject property in last year’s decision but noted it was only a listing at the time, heavily influenced the analysis in the current appraisal. Respondent objected to the inclusion of this sale because it closed after the January 1, 2025, lien date. While the Board understands Respondent’s concerns, we disagree the sale should be excluded from consideration.

The Board agrees estimating the market value of a property as of a particular is generally accomplished through an analysis of sales and market data from prior to the

effective date of valuation, as that is the only information available at the time. Here, in the case of the dispute sale, timeliness is not an issue. The sale property went under contract on October 14, 2024, roughly two and one-half (2½) months prior to the relevant lien date. That the sale did not officially close until a few weeks after January 1 is immaterial because the pricing terms were negotiated and acted upon in October 2024, which means the information was out in the marketplace well before the lien date. The Board found no issue with the appraisal's inclusion of the sale in its analysis.

Even if the Board were to exclude the sale, there were several other timely sales in the analysis supportive of a lower valuation. And where Respondent offered no competing market data, nor an alternative opinion of value, the only evidence of subject's current market value is Appellant's appraisal report.

In accordance with Idaho Code § 63-511, the burden is with Appellant to establish subject's valuation is erroneous by a preponderance of the evidence. Given the record in this matter, the Board found the burden of proof satisfied. The decision of the Nez Perce County Board of Equalization is modified to reflect a decrease in subject's total assessed value to \$7,975,000.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Nez Perce County Board of Equalization concerning the subject parcel be, and the same hereby is, MODIFIED, to reflect a decrease in subject's total assessed value to \$7,975,000, with \$1,865,850 attributable to the land and \$6,109,150 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 Appellant.

Idaho Code § 63-3813 provides that under certain circumstances the above-ordered value for the current tax year shall not be increased in the subsequent assessment year.

DATED this 16th day of March, 2026.