

BEFORE THE IDAHO BOARD OF TAX APPEALS

BARTOO SOUTH, LLC,	)	
	)	
Appellant,	)	APPEAL NO. 15-A-1168
	)	
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 modifying the protest of valuation for taxing purposes of property described by Parcel No. RP60N04W177780A. The appeal concerns the 2015 tax year.

This matter came on for hearing October 9, 2015 in Sandpoint, Idaho before Board Member David Kinghorn. Don Welch appeared at hearing for Appellant. Jerry Clemons represented Respondent.

Board Members David Kinghorn, Linda Pike and Leland Heinrich participated in this decision.

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

**The decision of the Bonner County Board of Equalization is affirmed.**

FINDINGS OF FACT

The original assessed land value was \$600,574, and the combined value of the improvements was \$115,610, totaling \$716,184. The Bonner County Board of Equalization (BOE) reduced the land value to \$492,453, with no change to the value of the improvements, for a total value of \$608,063. Appellant does not dispute the value of the improvements, however, contends the correct land value is \$440,000.

The subject property is a five (5) acre parcel located on Bartoo Island on Priest Lake. The

parcel enjoys 145 front feet on the lake and is improved with a 1,536 square foot residence, docks, and some outbuildings. Subject is one (1) of eight (8) parcels on Bartoo Island.

Appellant characterized subject as unique because it is situated on an island. Appellant detailed some of the difficulties associated with island living, such as no utilities, lack of year-round access, no fire protection service, difficulty in obtaining financing, high insurance expense, and the need to transport all necessary goods via boat. In all, Appellant contended these factors negatively impact subject's value which should be reflected in a lower assessment.

Appellant provided an independent fee appraisal of the subject property with an effective date of valuation of December 31, 2011. The appraisal considered three (3) sales of improved waterfront properties. Sale prices ranged from \$530,000 to \$730,000. After adjusting the sales for differences compared to subject such as location, construction quality, size, and other factors, the appraisal estimated adjusted sale prices between \$487,680 and \$584,420. The appraisal concluded a value of \$500,000 for subject.

Appellant also submitted opinion letters from a local appraiser and two (2) local realtors. In the appraiser's opinion, the market for vacant waterfront parcels has been slow over the prior couple years, and overall the market has been flat. One (1) of the realtors likewise described a generally slow real estate market. In fact, the realtor indicated prices have decreased over the past year. Due to subject's lack of electricity and the boat-only access, the realtor estimated subject's value between \$475,000 and \$495,000. The other realtor echoed the sentiments about a slow and perhaps declining market. No value estimate was given, however, the realtor described the difficulties associated with finding a buyer for an island property with limited access and no utilities.

Appellant further offered information concerning five (5) recent lakefront sales. Sale Nos. 1 and 2 involved vacant lots on Priest Lake. Sale No. 1 had 109 front feet on the lake, as well as water, sewer, and electricity. The lot sold in December 2014 for \$538,000. Sale No. 2 was a lot with 140 front feet which sold in March 2014 for \$465,000. The remaining sales concerned boat-only access parcels. Sale Nos. 3 and 4 were located on Lake Coeur d'Alene. The sale lots had 103 and 200 front feet on the lake and sold for \$249,900 and \$595,000, respectively. It was not clear when Sale No. 3 occurred, however, Sale No. 4 transpired in 2009. The final sale was located on Warren Island on Lake Pend Oreille. The .26 acre property sold in November 2013 for \$315,000. Respondent remarked Sale No. 1 was a property listed on the market for only one (1) day, which in Respondent's view indicated the sale was not arm's-length. Respondent also challenged Sale Nos. 3, 4, and 5 because they were located on different lakes. Respondent stressed the importance of using sales from the same lake as subject.

Appellant also provided an independent fee appraisal report of a boat-only access property on Priest Lake. Though the property included electricity and septic, Appellants regarded it as comparable to subject due primarily to the limited access. The lot was owned by the State of Idaho and leased to a lessee who improved the parcel. The lot enjoyed 300 front feet on the lake and was improved with a residence and a few outbuildings. The appraisal concluded a land value of \$250,000. The lot was sold at a State-sponsored auction in August 2014 at the appraised value. Respondent argued the auction sale should not be considered because the transaction did not satisfy the definition of market value due to atypical motivations on the part of the parties.

Respondent explained land values on Priest Lake were determined following a study

involving nine (9) lakefront sales. Sale Nos. 1, 2, and 3 involved improved properties situated on the east side of the Priest Lake. The sale lots had 125, 60 and 74 front feet on the lake. After extracting the assessed values of the improvements, Respondent calculated residual land values of \$717,140, \$391,390, and \$377,650, respectively, or from \$5,103 to \$6,523 per front foot. Sale No. 4 was an unimproved parcel with 110 front feet on the southern outlet of the lake. The lot sold for \$538,000, or \$4,891 per front foot. The remaining sales were located on the more developed west side of the lake. Sale Nos. 5, 6, 7, and 8 were improved parcels which sold between \$445,000 and \$1,600,000. After removing improvement values, Respondent reported residual land values between \$5,106 and \$6,965 per front foot. Sale No. 9 was a vacant lot with 50 front feet which sold for \$260,000, or \$5,200 per front foot. Based on these sales, Respondent concluded a blanket 15% increase to the base valuation rate for all Priest Lake frontage properties was needed. Subject was assessed at \$3,396 per front foot.

Appellant challenged the general approach used by Respondent. Specifically, Appellant argued the sale properties Respondent used in its analysis were not comparable to subject in many key aspects. Also, Appellant argued Respondent assigned too little value to the improvements associated with the sales, which skewed residual land values upward. Appellant provided opinion letters from several local contractors who indicated construction costs at Priest Lake were higher than other areas of the county and the per-square-foot improvement values used by Respondent were too low. Respondent acknowledged its improvement values were less than replacement costs, however, explained the assessed improvement values include a depreciation factor to account for age and condition.

#### 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, or as applicable exempt status. This Board, giving full opportunity for all arguments and having considered all testimony and documentary evidence submitted by the parties in support of their respective positions, hereby enters the following.

Idaho Code § 63-205 requires taxable property be assessed at market value annually on January 1; January 1, 2015 in this case. 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) primary methods of determining market value are the cost approach, the income approach, and the sales comparison approach. *Merris v. Ada County*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). The sales comparison approach is commonly used to value residential property. Neither party offered a traditional sales comparison approach, wherein subject was directly compared to recent sales of similar property and adjustments made to account for differences. The parties did, however, provide some sales information for the Board's consideration.

Appellant's primary value evidence included two (2) fee appraisals and several waterfront sales. While the Board appreciated Appellant's efforts in gathering market data, little weight was afforded the appraisals. The appraisal of the subject property was from December 2011, which is somewhat stale information and does not include a consideration of current market conditions. The subject of the other appraisal was a boat-only access property which eventually sold at

auction in August 2014. The property shares subject's restricted access issue, however, there were few other similarities between the properties. Large subjective adjustments would be needed to directly compare subject with the appraised property. The Board also cautiously considered Appellant's remaining sales due primarily to them being situated on other lakes. Expanding the geographical search when searching for properties comparable to a unique island property is common in appraisal, however, location and other adjustments must be made. Unfortunately, nothing in the record suggests an appropriate adjustment factor to account for this key attribute.

The Board also had concerns with Respondent's analysis. None of the sales provided by Respondent were directly compared to subject, but were rather offered to explain how the base rate was determined for Priest Lake waterfront. Particularly troubling to the Board was Respondent's position all waterfront parcels on the lake were valued using the same base rate, without regard for the unique physical characteristics of individual lots. Also, details concerning the improvements associated with the sales were not shared. That being said, the sales were timely and did represent the best indicators of market value in this particular case.

Idaho Code § 63-511 requires Appellant to prove error in subject's assessed value by a preponderance of the evidence. The burden of proof was not satisfied in this case. While the Board understands well the difficulties of "island life" described by Appellant, we did not find sufficient support for a further value reduction. The BOE reduced subject's land value by 25% to account for the difficulties associated with being on an island, which in the Board's view was an adequate and appropriate adjustment.

Based on the above, the decision of the Bonner County Board of Equalization is affirmed.

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, AFFIRMED.

DATED this 12<sup>th</sup> day of February, 2016.