

BEFORE THE IDAHO BOARD OF TAX APPEALS

EDWARD BROWN,)	
)	
Appellant,)	APPEAL NO. 14-A-1090
)	
v.)	FINAL DECISION
)	AND ORDER
NEZ PERCE COUNTY,)	
)	
Respondent.)	
)	
)	
_____)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Nez Perce County Board of Equalization denying the protest of valuation for taxing purposes of property described by Parcel No. RPL1360002001CA. The appeal concerns the 2014 tax year.

This matter came on for hearing September 18, 2014 in Lewiston, Idaho before Hearing Officer Travis VanLith. Appellant Edward Brown was self-represented. Assessor Daniel Anderson 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 parcel.

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

FINDINGS OF FACT

The assessed land value is \$18,000, and the improvements' valuation is \$81,865, totaling \$99,865. Appellant contends the total assessed value should not exceed \$81,000.

The subject property is a .09 acre parcel located in Lewiston, Idaho. The property is improved with a one (1) bedroom, one (1) bathroom residence constructed in 1925 and

updated in 1989. The residence consists of 696 square feet on the main level and 624 mostly unfinished square feet in the basement. Attached is a 162 square foot sun room on the rear side of the residence.

Appellant purchased subject from an estate on November 27, 2013 for \$80,250. Appellant explained the property was listed for sale in October 2013 with an asking price of \$75,000. Appellant's original offer, which was not accepted, was below the asking price. Two (2) other parties submitted competing offers. After several rounds of increasing offers, Appellant's final offer of \$80,250 was accepted and the property was sold.

Appellant also provided an independent fee appraisal report with a November 13, 2013 effective date of valuation. The appraisal considered three (3) 2013 sales and one (1) active listing. The listing concerned a two (2) bedroom, one (1) bathroom residence with 872 square feet on the main floor and 672 square feet in the basement. The property was listed with an asking price of \$105,000. The sales ranged from 560 to 778 square feet of main level living area. Sale Nos. 1 and 2 were one (1) bedroom, one (1) bathroom residences, though neither had basement spaces. Sale No. 3 involved a two (2) bedroom, one (1) bathroom residence with a 442 square foot basement. This latter sale was noted to be a short sale. Sale prices were between \$69,000 and \$85,000. After making adjustments for physical differences compared to subject, adjusted sale prices were between \$79,800 and \$84,900. The fee appraisal concluded a value of \$81,000 for subject.

Appellant additionally offered information on six (6) sales for comparison with

subject. Multiple Listing Service (MLS) information sheets were provided for each. There were a total of six (6) reported sales of one (1) bedroom, one (1) bathroom residences during 2013, one (1) of which was subject's purchase. Excluding the subject sale, the highest and lowest priced sales were considered outliers by Appellant so were discarded. What remained were three (3) sales with the same bedroom and bathroom count as subject. The sales resembled subject in terms of age and square footage. Sale prices ranged from \$55,000 to \$80,000, though the lowest priced sale was noted to be a short sale.

Appellant's other sales involved residences with two (2) bedrooms and at least one (1) bathroom. The sale residences were generally similar in size to subject, but were newer in age. Appellant noted other amenities enjoyed by the sale properties, such as a detached shop, in-ground sprinkler systems, and other items subject does not have. Sale prices were between \$85,000 and \$102,000.

Appellant further provided an opinion letter from a local real estate broker. The letter opined one (1) bedroom residences are generally not considered comparable to those with multiple bedrooms. Attached was a chart depicting one (1) bedroom sale activity. Subject's purchase price was near the top of the plotted price points. The broker estimated a value between \$80,000 and \$82,500 for subject.

Appellant was also concerned with some of the methods used by Respondent to determine subject's assessed value. Of primary concern was the valuation treatment of subject's basement and sun room areas, which appeared to Appellant to be assessed at

the same rate per square foot as the finished main level living area. Respondent explained different value rates were assigned to both the basement and sun room spaces.

Respondent first referenced the results of its 2014 ratio study, which examines the relationship between sale prices and assessed values of sold properties. The study focused on residential properties situated throughout the county. A total of 494 residential properties were included in the study. A median ratio of 94.74% was calculated, which Respondent noted was within the assessment level range deemed acceptable to the Idaho State Tax Commission.

Respondent also provided four (4) 2013 sales for comparison with subject. The sales all involved two (2) bedroom, one (1) bathroom residences with basement space. The combined square footage of the sale residences were between 1,083 and 1,784 square feet. The sale lots were much larger than subject's lot. Sale prices ranged from \$97,000 to \$115,000. Respondent removed the assessed land and other improvement values from the sale prices to arrive at prices for the residences between \$69,061 and \$90,459. Appellant challenged the comparability of the sale properties because they involved two (2) bedroom residences. It was also noted the sale properties had been recently updated, and included features and amenities superior to subject. Respondent countered the market did not indicate bedroom count in smaller residences was a material factor driving value.

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, 2014 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.

There are three (3) primary methods for determining market value: the cost approach, the income approach, and the sales comparison approach. See *Merris v. Ada County*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). Appellant’s value evidence relied on the sales comparison approach, which is the approach commonly used for determining the market value of an older residential parcel like subject. Respondent also presented a sales comparison approach analysis, but also pointed to the results of the most recent residential property ratio study as evidence subject’s assessed value was correct.

In basic terms, a ratio study compares sale prices to the assessed values of those same sold properties. While a ratio study is a useful equalization and mass appraisal tool for measuring general assessment level and uniformity, and market trends, it is not designed to estimate the market value of an individual property. In the appeal here, the

issue concerns solely the current market value of subject. Accordingly, the Board focused on the parties' information related to the sales comparison approach, rather than the ratio study results.

Respondent provided four (4) sales for comparison with subject. The sale properties were generally similar to subject in terms of age, though three (3) had somewhat more square footage. Likewise, the sale lots were all much larger than subject's. The sales were all two (2) bedroom residences and all had basement space. Respondent's information indicated the sales included other improvements, but details were not shared. Sale prices were between \$97,000 and \$115,000.

Appellant's information included six (6) sales, each of which was accompanied by an MLS listing sheet detailing the various components of the properties. Three (3) of the sales involved one (1) bedroom units and three (3) concerned two (2) bedroom residences. Though Appellant contended two (2) bedroom residences did not represent the most comparable properties to subject's one (1) bedroom design, sales of one (1) bedroom residences were scarce. Appellant noted the two (2) bedroom sales were larger in size than subject and also included amenities such as outbuildings, garages, sprinkler systems which subject lacked.

While the Board appreciated the above sales information, the most compelling evidence of subject's market value was its November 2013 purchase price and the fee appraisal report. Subject was put on the market in October 2013 with an asking price of \$75,000. After a competitive bidding process involving multiple offers, the property

eventually sold for \$80,250. The fact subject was offered for sale on the open market and received multiple purchase offers is strong evidence the transaction was arm's-length in nature, and further that the purchase price was likely at or near market value.

The fee appraisal, with a value conclusion of \$81,000, offered further evidence the purchase price approximated market levels. The appraisal compared three (3) recent sales and one (1) active listing to subject. Specific value adjustments were made for differences in physical characteristics between subject and the sale properties. The adjustments appeared reasonable and were of the type normally expected in a professional sales comparison analysis of an improved residential property.

In appeals to this Board, the burden rests with Appellant to prove error in the assessed value by a preponderance of the evidence. Idaho Code § 63-511. Given the evidence provided here, the Board finds that burden satisfied. Appellant's recent purchase, along with the value conclusion in the fee appraisal, represented the strongest indication of subject's current value. Overall, the evidence supports Appellant's contention subject's assessed value exceeded market value for 2014.

Based on the above, the decision of the Nez Perce County Board of Equalization is modified to reflect a decrease in subject's total value to \$81,000.

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

\$81,000, of which \$18,000 is attributable to the land, and \$63,000 to the improvements.

IT IS FURTHER ORDERED that 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.

DATED this 4th day of November, 2014.