BEFORE THE IDAHO BOARD OF TAX APPEALS

CDA PROPERTIES, LLC, Appellant, v. KOOTENAI COUNTY, Respondent.	)))))))))))	APPEAL NO. 15-A-1227 FINAL DECISION AND ORDER

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Kootenai County Board of Equalization denying the protest of valuation for taxing purposes of property described by Parcel No. 033700010550. The appeal concerns the 2015 tax year.

This matter came on for hearing October 29, 2015 in Coeur d'Alene, Idaho before Board Member Linda Pike. Manager Thomas Georgiou appeared at hearing for Appellant. Chief Deputy Assessor Richard Houser 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 Kootenai County Board of Equalization is affirmed.

FINDINGS OF FACT

The assessed land value is $205,000, and the improvements' value is $287,200, totaling $492,200. Appellant contends the correct total value is $415,000.

The subject property is a .921 acre parcel located in the Harbor View Estates subdivision near Coeur d’Alene, Idaho. The parcel is improved with a 4,496 square foot residence constructed in 1992 and an attached two (2) car garage. The residence includes four (4) bedrooms, and three and one-half (3 ½) bathrooms spread over two (2) levels. Subject is a secondary waterfront parcel on Lake Coeur d'Alene with expansive views of the lake, mountains, and surrounding landscape.

Appellant argued subject's December 29, 2014 purchase for $415,000 should be the current assessed value. Appellant explained subject was purchased from a bank, however, maintained the purchase price represented market value. Appellant characterized the bank as firm in the purchase negotiations and noted the bank had previous opportunities to sell the property at a higher price. In Appellant's view, the bank was not a distressed seller and therefore the purchase price was subject's market value.

Respondent countered subject's sale should not be considered because it was not a market value transaction. Respondent explained banks are not in the business of buying and selling real estate and are thus not typical sellers. Respondent noted banks, even though well capitalized, are under pressure to sell property in an effort to minimize the maintenance and other associated carrying costs which continue to accrue while the property is being held. Due to this atypical motivation, Respondent contended subject's purchase was not representative of market value.

Respondent also pointed to the somewhat unique listing history of the subject property as evidence the sale was not typical. In November 2011, the owner tried to short sell subject for $595,000, which followed earlier attempts to sell the property for $1,600,000. The price was reduced to $495,000 and soon thereafter subject was removed from the market. In May 2012, subject was again listed for $495,000, which was raised in August to $649,900. The price was then reduced once more to $495,000. According to Respondent, the property at the time was under contract at or near this latter asking price, however, the purchase fell through. Finally, in early 2014, the bank foreclosed on the property. The bank listed the property for $429,900 in September 2014 and accepted Appellant's offer of $415,000 in December. Respondent remarked subject's most recent marketing time of 78 days was notably shorter than the average listing period of 139 days in the area, which was argued to further demonstrate the pressure on the bank to sell subject quickly.

Appellant alternatively offered two (2) income-based value conclusions. The first was based on a gross rental income of $2,300 per month and an 8% capitalization rate. This approach yielded a value conclusion of $345,000. The other analysis estimated subject's value based on net income figures. Appellant used the same $2,300 per month income and subtracted $500 per month for expenses. After applying an 8% capitalization rate, Appellant determined a value of $270,000. Respondent noted even a slight change in the capitalization rate could greatly impact the value conclusion in an income approach, and argued Appellant provided no support for the 8% rate used in its analyses.

In terms of value evidence, Respondent offered information concerning three (3) sales and one (1) listing from 2014. The sale residences were similar to subject in terms of age and condition, however, ranged in size from 2,080 to 5,487 square feet. Sale prices were between $440,000 and $850,000. Respondent made adjustments to the sales for differences compared to subject, such as size, view, construction qualify, garages, outbuildings, and other amenities. Respondent determined adjusted sale prices between $529,096 and $546,243. Subject's assessed value is $492,200.

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 include 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). Residential property is commonly valued using the sales comparison approach which considers recent and proximate sales of comparable property.

Appellant contended subject's assessed value should match the December 2014 purchase price of $415,000. While the Board agrees a recent sale of the property being valued is often regarded as strong evidence of its market value, the same does not necessarily hold true for distressed sales. With the bank being the seller, subject's purchase was a distressed transaction. Distressed sales are generally not used, or at least not given primary weighting, in determining value, unless distressed sales represent a significant portion of the marketplace. Such is not the case here, where Respondent reported no other distressed sales in subject's area during the prior year. The Board is also hesitant to rely on just one (1) sale to determine value because without consideration of the broader market there is no way to know if the sale is an outlier.

The Board also lightly regarded the value conclusions reached in Appellant's abbreviated income approaches. First, the income figures were subject's actual rents. A determination of market value necessarily includes a consideration of market data, not just the income and expense information of a particular property. Subject's actual income and expense data should factor into the analysis, however reliance solely on subject's specific information could produce unreliable results. Secondly, residential property is not typically valued using the income approach and Appellant did not demonstrate the income approach yielded a superior or more appropriate value conclusion than the sales comparison approach. Also, support for the 8% capitalization rate used by Appellant was missing.

Respondent provided information concerning three (3) recent sales involving properties in subject's geo-economic area. Respondent directly compared each sale property to subject and made price adjustments for differences. With the exception of Sale No. 3, the sales were generally representative of subject. Sale No. 3, which sold for $850,000, required more than $300,000 in adjustments. In the Board's view, such a large adjustment amount indicates a high level of dissimilarity between subject and Sale No. 3. The other properties, however, were generally comparable to subject and tended to support Respondent's contention subject's purchase price was below market value.

Idaho Code § 63-511 places the burden on Appellant to demonstrate error in subject's assessment by a preponderance of the evidence. We did not find the burden of proof satisfied in this instance. Appellant's primary value evidence was the price paid to the bank to acquire the subject property. While the sale price represents one indication of value, the other value indicators in record pointed to a higher value. As none of the other market data supported Appellant's value claim, the Board did not find sufficient cause to disturb subject's assessed value.

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

FINAL ORDER

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

DATED this 26th day of February, 2016.