

BEFORE THE IDAHO BOARD OF TAX APPEALS

IN THE MATTER OF THE APPEAL OF LYLE) APPEAL NO. 13-A-1197
AND NELDA CAMPBELL from a decision of the)
Boise County Board of Equalization for tax year) FINAL DECISION
2013.) AND ORDER

RESIDENTIAL PROPERTY APPEAL

THIS MATTER came on for hearing November 13, 2013, in Idaho City, Idaho before Board Member Leland Heinrich. Board Members David Kinghorn, Linda Pike and Leland Heinrich participated in this decision. Appellant Lyle Campbell appeared at hearing. Assessor Brent Adamson, County Appraisers James Steffan and Brandee Kline, and Kathlynn Ireland with the State Tax Commission appeared for Respondent Boise County. This appeal is taken from a decision of the Boise County Board of Equalization denying the protest of valuation for taxing purposes of property described by Parcel No. RP07N02E348469.

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

The decision of the Boise County Board of Equalization is modified.

FINDINGS OF FACT

The assessed land value is \$18,224, and the improvements' valuation is \$98,071, totaling \$116,295. Appellants request the value of the improvements be reduced to \$34,000, with no change to the land value, totaling \$52,224.

The subject property is a .48 acre parcel located near Horseshoe Bend, Idaho. The property is improved with a 2,029 square foot residence, a 644 square foot detached garage, and a 400 square foot general purpose outbuilding. The combined value of the

garage and outbuilding is \$27,170. The residence was originally a manufactured home constructed in 1972. In 2004, some renovations were made to the residence including the addition of a couple rooms.

Appellants purchased subject in December 2012 for \$47,427 in a distressed transaction. Appellants noted subject was for sale on the open market with an asking price of \$45,000. Two (2) bids were submitted at the asking price. Appellants increased the offer to \$47,427, which was accepted.

Appellants described various conditions which were argued to negatively affect value. Subject's residence was characterized as being in a general state of disrepair and in need of much work to make it habitable. First, the residence lacked an operational heating system at the time of purchase. Appellants brought in a wood stove to serve as a temporary heat source while improvements were being made. Also, the electrical system needed to be updated and a considerable amount of drywall, paint, and flooring was necessary to restore subject to a suitable condition. Appellants additionally reported the residence was connected to sewage service by a thin plastic flex-pipe, rather than a more secure and permanent connection.

Appellants also challenged Respondent's characterization of subject as a frame construction residence. Appellants provided a photograph of the electrical box which stated the residence was built by Buddy Mobile Homes. Appellants also submitted photographs of the crawl space below the residence. Instead of a concrete foundation, there were cinder block columns which had been shimmed up to the bottom of the

residence with wood planks in an effort to make the floor level.

Respondent countered that the mobile home had been effectively transformed into a regular frame-type home. For support, Respondent pointed to several items. First was a building permit issued in 2001 related to renovations completed in 2004. The permit indicated 344 square feet would be added to subject with an estimated value of \$15,000. Next was a letter from a mortgage company from 2004, which stated the manufactured home was removed from the site and hauled to the county repository. Respondent also referenced information in a 2004 fee appraisal and on subject's 2012 Multiple Listing Service (MLS) information sheet. Neither of these indicated subject's residence was a manufactured home. As such, Respondent considered the residence as a standard frame-built home and assessed it accordingly.

Appellants also provided an opinion letter from a local realtor. In addition to information concerning some sales, assessment records of other parcels in subject's immediate area were included. No pricing conclusion was specified, however, the letter suggested subject was over-valued compared to other similar type properties in the area.

Lastly, Appellants provided a Comparative Market Analysis (CMA) dated November 5, 2012, which was used by subject's seller in determining the asking price. The report considered three (3) sales and three (3) active listings. No direct comparisons were made between the comparables and subject. The CMA estimated an "as-is" value for subject between \$41,000 and \$45,000.

Respondent stated subject's 2013 assessment was determined from 55 sales, one-

third (1/3) of which were noted to be distressed. It was not clear if the sales were located around the county or just in subject's area. Respondent remarked the distressed sales sold for \$18 per square foot on average. The non-distressed properties sold for an average of \$46 per square foot. Subject was assessed at the average rate of all 55 sales, or \$35 per square foot.

Respondent also compared subject to six (6) sales from 2012, two (2) of which were distressed. The sale lots ranged from .197 to 1.12 acres in size, and the associated residences were between 1,040 and 1,604 square feet in size. Details on the sale properties' proximity to subject were not shared. The sale prices ranged from \$45,000 to \$157,278 and had an average indicated price rate of \$48 per square foot. After value adjustments were made for physical differences compared to subject, the adjusted sale prices were between \$89,725 and \$164,045.

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 all taxable property be assessed at market value annually on January 1 of the applicable tax year. 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) generally accepted methods for estimating market value: the sales comparison approach, the cost approach, and the income approach. *Merris v. Ada County*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). Appellants’ value evidence included sales, as well as some assessed values of other properties in subject’s immediate area. The Board understands the assessment information was offered to demonstrate subject was valued inconsistently with other similar properties. Comparisons of assessed values, however, is not a recognized appraisal approach to value. Therefore the Board afforded this information minimal weight.

The bulk of Appellants’ sales information was included in the CMA, which was performed on behalf of subject’s prior owner. The report referenced three (3) sales and three (3) active listings. The considered properties were located in subject’s area and were generally similar to subject in terms of home square footage and lot size. The report concluded a value range between \$41,000 and \$45,000.

While the Board appreciated the sales and listing information offered in the CMA, there were some notable concerns. Most importantly, none of the properties were directly compared to subject in considering such differences as size, location, age and outbuildings. Overall the CMA's value conclusion was found to be only thinly supported.

Respondent explained subject's assessed value of \$35 per square foot represented the average price of 55 sales, of which approximately one-third (1/3) were distressed. It was noted the non-distressed sales sold roughly \$26 per square foot more than those sales which were distressed.

Respondent also offered six (6) sales for comparison with subject. The sale residences were between 1,040 and 1,604 per square feet in size and the lot sizes ranged from .197 to 1.12 acres. The prices were between \$45,000 and \$157,278 with an average price rate of \$48 per square foot. After adjustments for differences compared to subject, the adjusted sale prices were between \$89,725 and \$164,045, a notably broad price range.

Similar to concerns with the sales information included in Appellants' materials, the Board had some concerns regarding the comparability of Respondent's sales. All the sale residences were notably smaller which required some rather large appraisal adjustments. Also of concern was the location of the sale properties compared to subject. The only land value adjustment in the analysis was for size. There was no indication a location adjustment was considered. Further, it was not clear how the sale properties compared to subject in terms of construction quality. Overall, more details concerning the sale properties would have been helpful to our review.

There was some indication that the sales the County compared with subject represented the higher end of the price spectrum. Respondent stated subject was valued at \$35 per square foot, which was the average price of 55 sales included in the study. At hearing, Respondent offered six (6) sales for comparison to subject with an average sale

price of \$48 per square foot. Only two (2) properties sold for less per square foot than subject's current assessment rate. The Board found it difficult to reconcile the various value indications with subject's actual assessed value.

There was considerable disagreement between the parties as to whether subject's residence was a manufactured home. Respondent provided some past data which indicated the manufactured home had been removed and replaced with a frame-type residence on a permanent foundation. Appellants provided photographs of the crawl space depicting multiple cinder block and lumber columns supporting the residence, not a footing and stem wall foundation. Witness testimony was also offered in this regard.

The Board acknowledges determining whether or not subject is a manufactured home could impact an appraisal of the property's value. Unfortunately the Board was unable to make that determination. Both parties introduced conflicting evidence on the issue. Appellants' photographs of the crawl space provided compelling evidence that at least a portion of the residence is not on a permanent foundation. The record was also clear that subject's residence was a manufactured home at some point in time. Respondent's evidence, on the other hand, suggested subject was converted to a different residence type by the time the renovations were completed in 2004.

Neither party provided the Board with a complete picture regarding the above issue. There was some indication that at least a portion of subject remains a manufactured home, but the evidence was insufficient to make a final finding. This persisting issue, however, was of minimal impact to the Board's ultimate decision in this matter.

A key piece of market data was subject's December 2012 purchase. Typically, a recent open market, arm's-length sale of a property is considered strong evidence of its market value. The value indication is less compelling when the property is sold as part of a distressed transaction, or if the subject is very similar to multiple other properties which have recently sold.

In the Board's experience, it is common to see a reduced price associated with a distressed sale. There is notable evidence of that in this record. That is not to say such sales cannot be considered in an appraisal of market value. Indeed, when distressed sales represent a significant presence in the marketplace, it is difficult to justify excluding them from the valuation analysis. In this case, approximately one-third (1/3) of the sales used by Respondent were distressed, which represents a significant presence in the market. These sales should be weighed considerably in the analysis.

The Board placed significant weight on subject's recent purchase. Subject was evidenced to be somewhat unique and there were special condition issues at the time of sale and very near the assessment date. However there was also sufficient evidence to suggest the property's market value was likely higher than its purchase price from the bank. Appellants' requested value is noted to exceed the purchase price. Given all the evidence in this matter, the Board is satisfied subject's 2013 assessment should be reduced somewhat. Therefore the decision of the Boise County Board of Equalization will be modified to reflect a reduction in subject's total value to \$70,000.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Boise County Board of Equalization concerning the subject parcel be, and the same hereby is, MODIFIED to reflect a decrease in the total value to \$70,000.

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 Appellants.

DATED this 21st day of February , 2014.