

BEFORE THE IDAHO BOARD OF TAX APPEALS

IN THE MATTER OF THE APPEAL OF COUSINO) APPEAL NO. 13-A-1036
TRUST from a decision of the Bonner County)
Board of Equalization for tax year 2013.) FINAL DECISION
) AND ORDER

RESIDENTIAL PROPERTY APPEAL

THIS MATTER came on for telephonic hearing November 26, 2013, before Hearing Officer Cindy Pollock. Board Members David Kinghorn, Linda Pike and Leland Heinrich participated in this decision. Trustee David Cousino appeared at hearing for Appellant. Assessor Jerry Clemons, Chief Deputy Assessor Ken Bocksch and Appraiser Sue Brooks appeared for Respondent Bonner County. This appeal is taken from a decision of the Bonner County Board of Equalization denying the protest of valuation for taxing purposes of property described by Parcel No. RPD37670080060A.

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

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

FINDINGS OF FACT

The assessed land value is \$733,556, and the improvements' valuation is \$630,370, totaling \$1,363,926. Appellant requests subject's total value be reduced to \$1,150,000.

The subject property is a 1.25 acre parcel with 226.2 front feet on the Pend Oreille River. The parcel is improved with a 3,528 square foot residence comprised of 1,777 square feet on the main level and 1,751 square feet in the walkout basement. The residence also includes a finished 2-car heated garage and a lower level guest quarters complete with kitchen and bathroom. The property is further improved with a dock and hot tub.

Subject is situated in the community of Dover Bay. This is a popular waterfront destination area located roughly three (3) miles west of Sandpoint, Idaho. Dover Bay's

amenities include a marina, café, convenience store, gym, outdoor pool, as well as, volleyball and tennis courts. There is also a public beach nearby with extensive walking and biking trails.

In 2012, Appellant began to explore the idea of selling subject. To that end, an independent fee appraisal was ordered. The appraisal considered five (5) sales and two (2) active listings for comparison with subject. The properties ranged in size from .38 to 5.0 acres, with between 85 and 652 feet of water frontage. All the sales were waterfront parcels, though it was not clear if they were located along the same river as subject. Sale prices were between \$820,000 and \$1,500,000. After making adjustments for physical differences compared to subject, the adjusted prices were between \$1,139,900 and \$1,311,300. Asking prices for the two (2) listings were \$999,000 and \$889,750, with adjusted prices of \$1,145,700 and \$1,135,550, respectively. The fee appraisal concluded a total value of \$1,150,000 for subject.

Respondent questioned the comparability of some of the sales included in the fee appraisal. The appraisal's adjustments were also questioned. Of the seven (7) properties considered, Respondent only regarded one (1) as comparable to subject. The others were deemed inferior in terms of construction quality. Respondent also considered the gross adjustments, which ranged from 22.5% to 59.3%, as excessive. This was thought to be further evidence the properties were not comparable.

Respondent valued subject's land and improvement components separately and provided sales in support of both values. Seven (7) improved sales were used to determine or prove the value of the improvements. Six (6) of the sales closed during 2012 and the remaining sale transpired in mid-2011. The sale residences ranged in size from 3,718 to 5,620 square feet, though details concerning their respective size and water frontage were not shared. The sale

residences were considered by Respondent to be the same quality of construction as subject. Sale No. 7, which sold for \$1,095,000 and was located on subject's same block, was noted to be a distress sale. After removing land values from the sale prices, Respondent calculated residual improvement values between \$148.40 and \$187.51 per square foot. Subject's residence was assessed at a rate of \$155.49 per square foot, which excludes the \$37,910 value attributed to the dock and hot tub improvements.

In support of subject's land value, Respondent offered information on six (6) vacant waterfront sales. The lots were all located in Dover Bay. The parcels' water frontage ranged from 83.27 to 100 front feet and sale prices were between \$350,000 and \$395,000, or between \$3,500 to \$4,684 per front foot. Respondent also included for reference purposes, two (2) additional sales from subject's block which occurred during 2011. After removing improvement value from one (1) of the sales, Respondent calculated a land residual value of \$376,533, or \$3,926 per front foot. The other sale involved an adjacent parcel with 224.42 front feet. This property sold for \$900,000, or \$4,010 per square foot. Subject's land was assessed \$3,166 per square foot.

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 annually at market value on January 1 of the applicable tax year. Market value is defined in Idaho Code § 63-201:

“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.

The parties each relied on recent market information to support their respective value claims. However the methodologies employed were different. Appellant provided an independent fee appraisal which directly compared five (5) sales and two (2) active listings to subject. In contrast to this approach, Respondent examined subject’s land and improvement values individually, which when combined, were determined to represent the total value. Accordingly, Respondent used one (1) set of sales to support subject’s land value and a separate group for its improvements value.

Both parties provided a large amount of market data for the Board’s consideration. There were some concerns, however, with how that information was used to support the differing value conclusions. In Appellant’s appraisal there were some questions concerning the similarity of some of the market comparables considered. The parcels contained between 85 and 652 front feet. While the appraisal makes adjustments for variances in the amount of water frontage, support for these adjustments was lacking. Also, the independent appraisal indicated the referenced properties were located between 2.9 and 15 miles from subject. But it was not clear if they were situated along a similar river frontage as subject, or on a different body of water with different amenities. Again, it was not apparent how the appraisal accounted for potential value differences related to location.

There was also some question in the Board’s judgment on the comparability of the sale residences in the fee appraisal. Respondent reported that *only* Sale No. 5 was comparable to

subject in terms of construction grade. The fee appraisal made adjustments for construction quality, but again support for those adjustments was not provided. Further, the rather large degree of gross adjustments, which ranged from 22.5% to 59.3%, indicated the level of dissimilarity between subject and the sale properties. The Board would have preferred to see more support where such large adjustments were made.

The Board also had concerns with portions of Respondent's analysis. Seven (7) sales were used to estimate the value of subject's residence. While the sale residences were comparable to subject in terms of age and construction grade, the similarities appeared to end there. The sale residences ranged from 3,718 to 5,620 square feet in size. Subject's residence is only 3,528 square feet. It was not clear how Respondent adjusted for subject's smaller size. Also, details concerning location, lot size, and water frontage (if any) were absent in the record. None of the sale properties were directly and individually compared to subject. However the parties agreed Sale No. 7, which involved a property on subject's block, was the most comparable. This property sold in 2011 for \$1,095,000, in what was described as a distressed transaction. On the whole, it was not clear to the Board how the sales information was used by Respondent to arrive at the value of subject's residence.

Subject's assigned land value, on the other hand, was found to be well-supported. Six (6) unimproved waterfront sales from subject's immediate area were considered. The sale lots contained between 83.27 and 100 waterfront feet. Sale prices ranged from \$350,000 to \$395,000, or from \$3,500 to \$4,684 per front foot. Subject's 226.2 front feet were assessed at \$3,166 per front foot, which appears reasonable given the land sales presented.

In appeals to this Board, the burden rests with Appellant to prove error in subject's

assessed value by preponderance of the evidence. See Idaho Code § 63-511. In this particular instance, that burden was not satisfied. The Board was left with too many questions regarding some of the appraisal adjustments, and the support thereof. While there were concerns related to Respondent's value conclusion for subject's residence, the burden is on Appellant to provide a better supported valuation. Such support was not found in this case. As such, the Board will affirm the decision of the Bonner County Board of Equalization.

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 19th day of February, 2014.