

BEFORE THE IDAHO BOARD OF TAX APPEALS

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| GUMAER FAMILY TRUST, |) | |
| |) | |
| Appellant, |) | APPEAL NO. 15-A-1052 |
| |) | |
| v. |) | FINAL DECISION |
| |) | AND ORDER |
| BONNER COUNTY, |) | |
| |) | |
| Respondent. |) | |
| _____ |) | |

VACANT LAND 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. RP00421000004AA. The appeal concerns the 2015 tax year.

This matter came on for hearing October 5, 2015 in Sandpoint, Idaho before Board Member David Kinghorn and Hearing Officer Cindy Pollock. Richard Gumaer 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 is the market value of an unimproved residential parcel.

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

FINDINGS OF FACT

The assessed land value is \$581,080. Appellant contends the correct land value is \$430,000.

The subject property is a .26 acre parcel with 120 feet of water frontage on the east shore of Priest Lake in Coolin, Idaho.

Appellant questioned Respondent’s methodology utilized in assessing the subject property, especially where no consideration was given for subject’s unique characteristics.

Appellant explained subject is hindered by an access road for the neighboring property which traverses through subject's southeast and northeast sections. The access road occupies up to 30 feet on the southeast section of the parcel and 24 feet on the northeast section. Further, approximately 40 feet of subject was described as extremely steep. Appellant explained after allowance for the setback from the lake, the access road, and the steepness of the parcel there is a small building footprint.

Appellant offered information concerning two (2) vacant lakefront sales which occurred during 2013 and 2014. The vacant parcels sold for \$3,321 and \$3,600 per front foot. Appellant noted Respondent did not include these sales in its valuation. Respondent countered that one (1) sale was considered not valid as it was on the market only one (1) day and sold. Respondent was not aware of the second sale until it was brought up before Bonner County Board of Equalization (BOE).

Appellant explained the BOE accepted as valid the sale prices of approximately 59 leased sites which sold at auction in August 2014. Appellant noted the Assessor did not use these sales because they were not considered arm's-length-transactions. By contrast the BOE considered the auction prices as indicative of market value and lowered the assessed values to that of each individual purchase price. Appellant concluded disregarding the auction sales was a misuse of information when setting the non selling property values on Priest Lake.

Lastly, Appellant offered an independent fee appraisal with an effective valuation date of September 25, 2014. The appraisal considered information related to three (3) vacant land sales. Two (2) took place in 2013, and one (1) in 2014. Sale prices ranged from \$260,000 to \$465,000. Water frontage varied between 50 front feet and 140 front feet. Adjustments were

made for site/view, utilities, access and site improvements. After making price adjustments for differences between subject and the compared properties, the adjusted sale prices were between \$370,000 and \$433,000. Two (2) sales were considered more similar to subject, therefore the appraisal afforded the most weight to these. The appraisal concluded a total value of \$430,000 for subject.

Respondent explained the entire lakefront was trended for the 2015 tax year. Respondent maintained due to the wide variety of lot sizes, beach types and locations all selling in a similar price range, it was proper to assess all lakefront parcels at the same front foot rate. There were nine (9) sales used to set the base front foot rate. Seven (7) of the sales occurred in 2014, with two (2) taking place in late 2013. Of the nine (9) sales, two (2) were vacant land sales. After removing the assessed improvement values for the improved sales, Respondent calculated land residual values between \$5,103 and \$6,965 per front foot. After studying the most recent nine (9) waterfront sales of deeded property, Respondent concluded all lakefront parcels should be valued at the same rate per front foot. Respondent opined the market showed no preference for topography or type of beachfront.

The two (2) vacant parcels had sale prices of \$4,891 and \$5,200 per front foot. One (1) of the vacant sales contained 100 front feet and was located at the outlet on the south end of the lake. Respondent regarded this area of the lake as less desirable than the main lake, as it is on a spillway with shallow water and limited access.

Respondent explained the auction sales were considered invalid sales and therefore were not used to set 2015 land values. It was explained the auction happened because the State was under compulsion to sell the lots to fulfill its obligation to the endowment fund and the lessees

were the purchasers of the auction lots. Respondent stated the purchasers had extra motivation to own the land under their homes. Respondent concluded this was not typical motivation and therefore the auction sales were not considered valid market sales.

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. There are three (3) approaches to value, the sales comparison approach, the cost approach, and the income approach. In a unique way, each approach considers the available information on recent comparable sales.

Respondent explained Priest Lake was examined for the 2015 tax year. After studying the waterfront sales, Respondent concluded all lakefront parcels should be valued at the same rate per front foot. Respondent testified the market showed no preference for topography or type of beachfront. Also, Respondent contended easements or road frontage made no difference in price. Therefore, no consideration was given to subject's topography or unique

characteristics. The Board disagrees with the fairness of this methodology. We find there is wide diversity among the Priest Lake waterfront parcels which leads us to conclude adjustments for differences should be applied.

Both parties provided sales information for the Board's consideration. Appellant's evidence was primarily contained in an independent fee appraisal of the subject. The appraisal considered three (3) vacant land sales. Appellant's appraisal individually compared each sale property to subject and made adjustments to the sale prices for differences. The result was adjusted sale prices between \$370,000 and \$433,000, and a value conclusion of \$430,000.

Respondent provided two (2) vacant land sales, however, made no adjustments for differences from subject. The land extraction method was used for the remaining seven (7) improved sales. Lacking in record are details regarding the improvements. The related analysis was vague and testimony demonstrated a large number of the sales contained flat, sandy beach fronts with adequate building pads. Albeit subjective judgments were involved, the Board found the analysis of market value in the fee appraisal was a more reliable indicator.

In accordance with Idaho Code § 63-511, Appellant bears the burden of proving error in subject's assessed value by a preponderance of the evidence. Based on the above, and in this case, the Board finds the burden of proof satisfied. Appellant's market information points toward a lower value for subject. The decision of the Bonner County Board of Equalization is reversed.

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, REVERSED setting the assessed value at \$430,000

IT IS FURTHER ORDERED, pursuant to Idaho Code § 63-1305, 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.

Idaho Code § 63-3813 provides that under certain circumstances the above ordered value for the current tax year shall not be increased in the subsequent assessment year.

DATED this 29th day of December, 2015.