

BEFORE THE IDAHO BOARD OF TAX APPEALS

RICHARD AND DIANNE HARDAN,)	
)	
Appellants,)	APPEAL NO. 15-A-1049
)	
v.)	FINAL DECISION
)	AND ORDER
BONNER COUNTY,)	
)	
Respondent.)	
_____)	

RESIDENTIAL PROPERTY APPEAL

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. RP00089000003BA. The appeal concerns the 2015 tax year.

This matter came on for hearing October 7, 2015 in Sandpoint, Idaho before Board Member David Kinghorn. Appellants were self-represented. Bonnie Berscheid 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 Bonner County Board of Equalization is modified.

FINDINGS OF FACT

The assessed land value is \$275,650, and the combined value of the improvements is \$135,020, totaling \$410,670. Appellants agree with the values of the improvements, however, contend the correct land value is \$150,000, resulting in a total value of \$285,020.

The subject property is a .239 acre lakefront parcel located in the Diamond Park 1st Addition subdivision on the east side of Priest Lake, in Coolin, Idaho. The parcel is

improved with a residence, a dock, and various outbuildings.

Subject was described as a steep lot with difficult access to a rocky beachfront which measures 50 front feet. Appellants reported the slope of the lot is roughly 60 degrees, which effectively renders two-thirds (2/3) of the lot unuseable. Appellants estimated the elevation difference between the residence and the beachfront as the equivalent of a 10-story building. Access to the beachfront is via a series of steep wooden stairs.

Appellants challenged the methodology used by Respondent in determining subject's current assessed value. Rather than recognizing the diversity of the lakefront lots on Priest Lake, Respondent assessed each lot at a uniform front foot rate. In Appellants' view, such an approach ignored important appraisal factors, such as unique physical characteristics, location on the lake, type of waterfront, and distance to amenities and services. Photographs were provided to demonstrate the physical differences between subject and the sales used by Respondent.

Offered in support of Appellants' value position was information concerning three (3) sales which sold at a State-sponsored auction in August 2014. Appellants explained 60 lots were offered at the auction and the bid prices for the individual lots were based on an appraisal performed by certified MAI appraisers. The appraisal examined each lot and assigned a site rating to the individual lots based on physical characteristics such as lake depth qualities, shoreline qualities, and the steepness of the shoreline to the building site and the steepness from the road to the building site. Appellants estimated a site rating of

7 for subject.

Appellants focused on three (3) auction sales involving lots in subject's neighborhood. The first sale lot had a site rating of 11. Photographs of the sale property, depicting a more level lot and beachfront, were provided. The lot sold for \$2,403 per front foot. The second sale, with a site rating of 7, sold for \$1,709 per front foot. The third sale was located adjacent to the second sale. The lot had a site rating of 8 and sold for \$2,153 per front foot. Subject was assessed for \$5,253 per front foot.

Appellants further provided sale information on a property located in subject's immediate proximity. After being on the market for roughly six (6) years, the improved lakefront parcel sold in June 2015 for \$389,000. The sale lot was somewhat steep and the beachfront was rocky.

Respondent explained Priest Lake values were determined using nine (9) sales from 2014. The auction sales were not included in the analysis because Respondent regarded the auction prices as not reflective of market value. Respondent also took issue with some of the sales used in the appraisal, such as being several years old and some being located on different lakes. Instead, Respondent focused exclusively on non-auction sales. Three (3) of the nine (9) sales were located on the east side of Priest Lake, with the remainder mostly scattered along the west side. Seven (7) of the sales involved improved parcels. Though details regarding the improvements were not shared, Respondent removed the assessed values of the associated improvements, resulting in residual land values ranging from \$5,103 and \$6,965 per front foot for lots with between 60 and 253 waterfront feet.

The two (2) vacant parcels had 110 and 50 front feet and sold for \$4,891 and \$5,200 per front foot, respectively. Respondent noted one (1) of the improved sales involved a relatively steep lot. Because this parcel sold near the high end of the indicated sale price range, at \$6,523 per front foot, Respondent concluded topography and type of beachfront did not play a factor in lakefront pricing and valuation. As a result, Respondent applied an upward trend of 15% to all lakefront parcels.

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.

The three (3) primary methods for 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 often valued

using the sales comparison approach.

Though the parties did not present a typical sales comparison approach, both did provide information on recent Priest Lake waterfront sales. Appellants submitted information regarding four (4) sales. Three (3) of the sales occurred during an August 2014 auction and the fourth sale closed in mid-2015 after several years exposure on the market. While Sale No. 4 is certainly relevant information because it involved the sale of a generally comparable parcel in subject's immediate proximity, it was not considered by the Board in this instance because it sold roughly six (6) months after the relevant valuation date of January 1, 2015. The three (3) auction lots sold between \$1,709 and \$2,403 per front foot. With a site rating of 11 according to the appraisal, Sale No. 1 was characterized as superior to subject, for which Appellants estimated a site rating of 7. The remaining lots had site ratings of 7 and 8.

Respondent contested Appellants' use of auction sales. Respondent explained the appraisal, which was used to set minimum auction bid prices, considered some older sale information, as well as some sale properties situated on different lakes. The Board agrees generally an auction sale does not represent the best evidence of market value, however, these particular auction prices were related to a professional appraisal. It should also be noted expanding the search parameters for finding comparable sales is not prohibited under the sales comparison approach, however, there needs to be adequate support for expanding the search and appropriate appraisal adjustments need to be made. Unfortunately, only a small excerpt of the appraisal was shared at hearing, so the Board

was unable to evaluate the overall methodology and specific appraisal adjustments used to arrive at the individual value conclusions.

While left with some questions regarding the appraisal and corresponding auction prices, the Board was more concerned with Respondent's use of a uniform assessment rate for all Priest Lake waterfront parcels. Specifically, Respondent's reliance on a single improved sale involving a somewhat steep lot as the basis for determining a uniform land assessment rate was troubling to the Board. This is particularly true where the sale in question involved two (2) parcels with two (2) residences. It was not clear how Respondent adjusted for the increased utility afforded by what amounts to a double lot capable of supporting multiple residences. Further, the overall wide range of Respondent's own sale prices contradicts the position that values around the lake are uniform. And regardless of the above-noted concerns regarding the auction appraisal, a similarly large variance is also found in the value conclusions contained therein. The wide price variances suggest there are factors affecting prices around the lake other than simply the number of front feet. Respondent's valuation of subject ignored these and other key appraisal considerations.

Idaho Code § 63-511, places the burden on Appellants to prove error in subject's assessed value by a preponderance of the evidence. The Board understands the difficult task faced by Respondent in assessing the diverse waterfront on Priest Lake. However, based on the evidence provided, the Board finds the burden of proof satisfied in this case. Respondent's sales beared little resemblance to subject and failing to adjust for the notable physical differences was found to be in error. As a result, the decision of the Bonner

County Board of Equalization is modified to reflect a decrease in subject's land value to \$175,000, which includes the value attributable to the onsite improvements.

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, MODIFIED to reflect a decrease in subject's land value to \$175,000, with no change to the improvements' valuation, totaling \$310,020.

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 Appellants.

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

DATED this 8th day of January, 2016.