

BEFORE THE IDAHO BOARD OF TAX APPEALS

IDAHO YOUTH RANCH, INC.,)	
)	
Appellant,)	APPEAL NOS. 15-A-1130
)	thru 15-A-1142
v.)	
)	FINAL DECISION
CANYON COUNTY,)	AND ORDER
)	
Respondent.)	
)	
)	
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RESIDENTIAL PROPERTY APPEALS

These appeals are taken from decisions of the Canyon County Board of Equalization (BOE) denying protests of valuation for taxing purposes of thirteen (13) parcels listed below. These appeals concern the 2015 tax year.

These matters came on for hearing October 21, 2015 in Caldwell, Idaho before Board Member Leland Heinrich. Vice President and Chief Financial Officer Nancy Proctor appeared at hearing for Appellant. Chief Deputy Assessor Joseph Cox 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 and associated parcels.

The decisions of the Canyon County Board of Equalization are affirmed in part and modified in part.

FINDINGS OF FACT

The total assessed market value of all the subject parcels is \$2,133,080. The parties value the parcels individually as follows.

	<u>Appeal No.</u>	<u>Parcel No.</u>	<u>BOE Value</u>	<u>Requested Value</u>
1.	15-A-1130	377790000	\$215,200	\$158,495
2.	15-A-1131	377800100	\$3,030	\$2,242
3.	15-A-1132	377800110	\$2,910	\$2,154
4.	15-A-1133	377800120	\$23,490	\$17,384
5.	15-A-1134	377800130	\$24,390	\$18,050
6.	15-A-1135	377810000	\$80,940	\$58,995
7.	15-A-1136	377810100	\$1,980	\$1,465
8.	15-A-1137	377810110	\$872,690	\$647,437
9.	15-A-1138	377830000	\$338,220	\$247,822
10.	15-A-1139	377840000	\$1,920	\$1,421
11.	15-A-1140	377850000	\$419,530	\$311,433
12.	15-A-1141	377900000	\$7,820	\$5,787
13.	15-A-1142	377800000	\$140,960	\$104,316

The thirteen (13) subject parcels (hereinafter “the Property”) comprise one large improved residential site consisting of approximately 257 acres. One (1) parcel contains a 7,740 square foot residence (Appeal No. 15-A-1137 - Parcel No. 377810110) where the improvement was assessed at \$361,900. Four (4) parcels were considered by Respondent as a 9-hole golf course. These parcel’s golf course improvements (holes) are reflected below.

Appeal No. 15-A-1130 - Parcel No. 377790000 contains one (1) golf hole; Appeal No. 15-A-1135 - Parcel No. 377810000 contains one (1) golf hole; Appeal No. 15-A-1137 - Parcel No. 377810110 contains four (4) golf holes; and Appeal No. 15-A-1138 - Parcel No. 377830000 contains three (3) golf holes.

In addition to each golf hole's valuation of approximately \$40,000 each, there is an underlying land value included on the parcel assessment. The remaining parcels vary in size and some are vacant and some contain small improvements. All the subject parcels are contiguous and located in rural Canyon County, Idaho.

The Property was part of a bankruptcy action which took place in 2006. In August 2014, Appellant purchased the thirteen (13) parcels together from Bank of America for a total purchase price of \$1,577,000. Prior to Appellant purchasing the Property, the bank owned it and had tried to sell it for several years. Appellant reported during the nine (9) years the Property was owned by the bank, it was vacant and neglected, and drastically deteriorated.

Appellant suggested there were three (3) factors which were not adequately considered when the assessed values were set. Appellant's first issue concerned the Property's assessment as a golf course. Appellant maintained the Property did not meet the statutory definition of a golf course, nor were the grounds actually being used as a golf course. The second issue was with the assessment of the residence. Appellant contended it was a tear down and therefore had no value. Lastly, it was argued the total assessed value should not be higher than the \$1,577,000 purchase price.

Addressing the parcels containing the nine (9) golf holes, Appellant vehemently argued the parcels were not an actual golf course, nor being used as such. For nine (9) years the Property was vacant and not used as a golf course. Appellant suggested there were no longer nine (9) greens, nor was the ground suitable for golf. The Property was not maintained in the customary manner golf courses are maintained and therefore had

deteriorated to the point it can no longer be described as a bona fide golf course.

Appellant provided a letter from The Turf Company, prepared after the company had inspected the four (4) parcels containing the golf hole improvements. In the letter the turf was noted to be heavily contaminated with annual blue grass and Canadian thistle, and to further contain a heavy thatch layer. The grounds were described as not suitable as a golf course, nor was the grass found to be viable for any harvest or resale.

Respondent focused on the fact the Property was originally improved with a golf course which remains today. In Respondent's opinion, since the parcels were improved with golf holes a value should be attributed to each hole. Respondent provided two (2) sales of golf courses to compare with subject. Both golf courses were said to be in poor condition and overgrown with weeds. One (1) was a bank sale and the other was a foreclosure transaction. The sales took place in 2011 and 2013, with sale prices of \$88,888 and \$77,777 per hole. Appellant noted the two (2) sales were active golf courses, whereas subject was a private residence which at one time included a golf course.

Appellant next argued the assessed value of the residence was improper and should have zero value. The residence contains 7,740 square feet and is assessed for \$361,900. Appellant described it as being in "an advanced state of disrepair." The residence was left vacant over nine (9) years and was infested with vermin and yellow-jackets. There was also water damage and the HVAC system did not work. The exterior brick was described as crumbling and unsafe. The seals on many windows were broken which caused moisture and mold to develop between the panes, and many doors and windows did not close properly.

Appellant retained two (2) architects and a construction manager to determine the potential use of the residence. All three (3) experts agreed renovation and/or repair would cost in excess of one (1) million dollars. The recommendation by all was to demolish the structure. At time of hearing, the residence was being demolished at a cost of approximately \$47,000.

Respondent explained the residence was once a notably grand estate. Photographs were provided of the residence. Respondent agreed the residence did suffer from being neglected for such a long period of time and had many areas of disrepair. However, Respondent still found substantial value in many parts of the estate. Respondent found on January 1, 2015, the residence had value and it was not until later Appellant decided it was not a viable endeavor to repair or salvage the residence.

In support of the residence's assessed value, Respondent sought out residences with grand appearances of which three (3) were identified. Two (2) of the sales took place in 2014, and the remaining sale occurred in May 2015. The sale properties were described as being generally similar to subject in size, however were located in different counties. A worksheet compared differences between subject and the three (3) sales. After large adjustments for cost to cure of \$1,000,000, location adjustments of over \$1,000,000, and functional obsolescence adjustments, the indicated values ranged between \$2,597,000 and \$5,200,000. Respondent contended its \$361,900 valuation was by comparison a salvage value.

Lastly, Appellant disagreed with the fact the assessed value for the Property was higher than the purchase price of \$1,577,000. The purchase took place in August 2014

and included all thirteen (13) subject parcels. In Appellant's opinion the Property was worth what was paid in 2014. The Property had been for sale on the open market for a number of years and the asking price had been gradually reduced. Appellant made an offer, the price was negotiated with counter offers, and a final price was agreed upon. Appellant concluded the sale was an arm's length transaction and should be used in the valuation. Appellant argued the assessment, which is \$556,080 over purchase price, was unreasonable. Respondent disagreed the purchase was an arm's-length transaction and suggested the sale was distressed. In Respondent's opinion the bank needed to unload the Property because it was losing money every month just by maintaining the grounds.

Respondent provided land sales in support of the land assessments on the parcels adjoining the residence. Appellant did not dispute the individual land values except for the extra golf hole valuations discussed above, and where the total overall was higher than the recent purchase price.

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. Both parties’ provided an abundance of information for the Board’s review.

Appellant asserted there is not an active viable golf course and therefore the Property should not be assessed for the golf holes that were once active. Appellant considers the actual current use of the land as vacant, although the land, not the golf course improvements, will be part of a non-profit venture in the near future. Respondent considered the Property as having a golf course and valued each individual hole at \$40,000. Respondent argued the land was designed as a golf course, looks like a golf course, still has golf holes, and therefore should be assessed and valued as a golf course.

In this instance, the Board found the golf course improvements no longer comprised a viable golf course. Admittedly, some of the holes are still in the ground but little else points to the Property being a golf course. The Property has been vacant for over nine (9) years and Appellant bought the property with no intent to restore the golf course. Accordingly, we find the \$40,000 assessed value for each hole should be removed.

We now turn to the residential improvement. Appellant brought to light the residence was being demolished at time of hearing and contended it actually had a negative value at that point. Respondent found after adjustments for poor condition and

deferred maintenance, some value still existed on January 1, 2015. This was further evidenced by the fact Appellant had not determined as of the 2015 assessment date its intended future for the structure. The Board finds the evidence in record supports there was some value reasonably attributed to the residence. Perhaps after some study, Appellant decided a restoration was not viable for Appellant's own use. However as it stood on January 1, the residence might still have been restored. In Respondent's analysis, the value of the residence was heavily discounted to account for the poor condition. In all, we found Appellant's evidence did not establish the county valuation was erroneous with regard to the residence.

We next address the issue of the Property being assessed for higher than the recent purchase price. The Board found both parties had logical presentations and evidence in support of their positions. The Property was bank-owned at the time of the sale and was clearly distressed and dilapidated. Also the asking price was lowered substantially over the listing period pointing to some level of distress. Appellant argued the bank was not under compulsion to sell as they let the Property remain vacant for a long period of time. It was argued when the bank realized the condition of the Property, it lowered the asking price accordingly in order to sell it. On the other side, Respondent argued it was a distressed sale.

There was an extremely long listing period, which in the Board's opinion does seem to indicate it was not a distressed listing for the entire nine (9) year period. Likely the bank ultimately sold the Property for a further reduced price after it discovered the extent of the dilapidation. Based on the evidence presented, the Board was unable to determine if, or

more precisely to what extent, distress impacted the sale price. That being said, removing the \$40,000 premium applied to each golf hole is noted to yield a total value nearer the purchase price.

Per Idaho Code § 63-511, in appeals to this Board, the burden is with the Appellant to establish subject’s valuation is erroneous by a preponderance of the evidence. The Board finds the burden was met with regard to some of the parcels as reflected below.

	<u>Appeal No.</u>	<u>Parcel No.</u>	<u>BOE Value</u>	<u>Requested Value</u>	<u>BTA Decision</u>
1.	15-A-1130	377790000	\$215,200	\$158,495	Modify - \$175,200
2.	15-A-1131	377800100	\$3,030	\$2,242	Affirm - no change
3.	15-A-1132	377800110	\$2,910	\$2,154	Affirm - no change
4.	15-A-1133	377800120	\$23,490	\$17,384	Affirm - no change
5.	15-A-1134	377800130	\$24,390	\$18,050	Affirm - no change
6.	15-A-1135	377810000	\$80,940	\$58,995	Modify - \$40,940
7.	15-A-1136	377810100	\$1,980	\$1,465	Affirm - no change
8.	15-A-1137	377810110	\$872,690	\$647,437	Modify - \$712,690
9.	15-A-1138	377830000	\$338,220	\$247,822	Modify - \$218,220
10.	15-A-1139	377840000	\$1,920	\$1,421	Affirm - no change
11.	15-A-1140	377850000	\$419,530	\$311,433	Affirm - no change
12.	15-A-1141	377900000	\$7,820	\$5,787	Affirm - no change
13.	15-A-1142	377800000	\$140,960	\$104,316	Affirm - no change
		Totals	\$2,133,080	\$1,577,000	\$1,773,080

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED the decisions of the Canyon County Board of Equalization concerning the subject parcels be, and the same

hereby are, AFFIRMED in part and MODIFIED in part, as specified in the chart immediately preceding this order. The total assessed value of the Property is therefore set at \$1,773,080.

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.

DATED this 8th day of March, 2016.