

BEFORE THE IDAHO BOARD OF TAX APPEALS

RICHARD KOWALIK,)	
)	
Appellant,)	APPEAL NO. 15-A-1050
)	
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. RP054040000430A. The appeal concerns the 2015 tax year.

This matter came on for telephonic hearing November 19, 2015 before Hearing Officer Cindy Pollock. Appellant Richard Kowalik was self-represented. Jerry Clemons 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 \$754,120, and the combined value of the improvements is \$555,720, totaling \$1,309,840. Appellant agrees with the improvements' valuation, however, contends the correct land value is \$504,900, resulting in a total value of \$1,060,620.

The subject property is a .76 acre improved waterfront parcel. The lot enjoys 165 front feet on the east side of Priest Lake. Improvements include a residence and a few docks. Subject is located in the 1st Addition Diamond Park subdivision in Coolin, Idaho.

Appellant referenced three (3) sales considered similar to subject, two (2) of which were located in subject's immediate area. The first sale contained 140 front feet and sold in March 2014 for \$465,000, or \$3,321 per front foot. Appellant reported this sale was on the market for approximately two (2) years without selling. It was then put on the market and sold in 15 days. Respondent maintained it was listed and sold in one (1) day by request of the purchasers and therefore the sale was not considered valid. Appellant contended this sale was the most similar to subject. Appellant's second sale contained 125 front feet and sold in September 2013 for \$450,000 or \$3,600 per front foot. Respondent was not aware of this sale at the time of valuation, and as such, did not use it in its analysis. Lastly, the third sale contained 170 front feet and sold at an auction in August 2014 for \$410,000 or \$2,412 per front foot. With regards to the third sale, Appellant explained in 2014, the State of Idaho held an auction involving 60 leased lots around the lake. An independent fee appraisal of the lots was prepared and the appraisal report's value conclusions were used to set the minimum bid prices at the auction. Appellant further noted the assessed values were set at the purchase price of each property and therefore should be allowed to be used as a comparable sale.

Appellant estimated approximately one-half ($\frac{1}{2}$) of the subject lot is unusable due to a shared easement which crosses the property twice. Appellant used the three (3) sales

to determine a land value of \$504,900 for subject. Overall, Appellant contended the three (3) sales had similar overall characteristics to compare with subject versus Respondent's sales located in nicer areas of the lake. Respondent argued most lakefront properties have setbacks and easements similar to subject and therefore adjustments for these attributes are not necessary.

Respondent contested Appellant's use of the auction sales as the basis for reducing subject's land value. Respondent argued the auction prices were below market value. According to Respondent, the fee appraisal used some dated sales, as well as, waterfront sales from different lakes in arriving at the appraised values of the auctioned Priest Lake lots. Respondent also remarked only two (2) of the auction lots received more than one (1) bid, which was reasoned to demonstrate there was little competition among buyers. Respondent also characterized the State of Idaho as being under compulsion to sell and the buyers as highly motivated and anxious to purchase the land sitting under their residences. Respondent further contended the fee appraisal allocated too little value to the land component and too much value to the improvements, resulting in per-front-foot rates below market value. As a result, Respondent did not consider any of the auction sales in determining subject's assessed value.

Respondent provided information concerning nine (9) waterfront sales of Priest Lake parcels. The sales occurred during late 2013 and throughout 2014. The sale properties were situated all over the lake, with the majority located on the more developed west side of Priest Lake. Two (2) of the sales were vacant parcels, one (1) of which was located

near a river outlet. These vacant lots, both with mostly flat topography and building sites near the water's edge, consisted of 110 and 50 waterfront feet. Sale prices were \$538,000 and \$260,000, or \$4,891 and \$5,200 per front foot. The remaining sales involved improved parcels. Sale prices ranged from \$445,000 to \$1,600,000. After extracting assessed values of the associated improvements, Respondent calculated residual land values between \$377,650 and \$1,338,240, or from \$5,106 to \$6,965 per front foot. Based on these sales, Respondent determined to use a value rate of \$4,492 per front foot for subject.

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.

Appellant suggested the sales included in Respondent's analysis were not similar to subject's topography and location. Appellant contended this was not a true comparison when looking at subject's location, and the easements subject is hindered by. Respondent maintained the sales data did not show any notable price differences for location, physical characteristics, or topography.

Appellant requested the sales in subject's immediate area be used in determining subject's land value. Appellant pointed to three (3) sales considered to be similar to subject's topography. Appellant provided detailed information regarding subject's topography and setbacks. As to the auction sale provided, the Board did not find the auction sales to be arm's-length transactions. The only bids received on each auction lot were those of the lessees; there were effectively no outside bidders. However, we do find the other two (2) sales provided by Appellant should be afforded consideration.

Respondent provided nine (9) lakefront sales which were located on both sides of Priest Lake. Two (2) of the sales were vacant parcels, with the remaining being improved properties. Respondent extracted the values of the improvements to determine the indicated front foot land values. Without being able to see what improvements were extracted in each individual analysis, the Board could not conclude the land values were accurate.

Respondent also pointed to one (1) sale of a relatively steep parcel which sold near

the top of the price range and concluded the market showed no price differential for topography or other lot characteristics. The Board does not agree that because one (1) sale of an improved property located on a steep slope sold at a price similar to flat lots, that buyers are willing to pay the same price regardless of topography. Respondent's sales analysis did not adequately consider subject's physical characteristics.

According to Idaho Code § 63-511, Appellant bears the burden of establishing error in subject's valuation by a preponderance of the evidence. Appellant did not provide enough market evidence for the requested total reduction in land value, however we did find satisfactory evidence which supported some reduction. In all, we found consideration should be given for subject's locational and topographical differences compared to other properties.

Based on the above, the decision of the Bonner County Board of Equalization is modified, thereby lowering subject's total land value to \$590,000.

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 setting the assessed land value to \$590,000, with no changes to the total improvements' value of \$555,720, resulting in a total value of \$1,145,720.

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 under certain circumstances that the above ordered value for the current tax year shall not be increased in the subsequent assessment year.

DATED this 5th day of February, 2016.