

BEFORE THE IDAHO BOARD OF TAX APPEALS

DEREK AND JERILYN LISOSKI,)	
)	
Appellants,)	APPEAL NO. 14-A-1039
)	
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 modifying the protest of valuation for taxing purposes of property described by Parcel No. RP00085004003CA. The appeal concerns the 2014 tax year.

This matter came on for hearing September 23, 2014, in Sandpoint, Idaho before Board Member Linda Pike. Appellants Derek and Jerilyn Lisoski were self-represented and Chief Deputy Assessor Ken Bocksch represented Respondent.

Board Members David Kinghorn, Linda Pike and Leland Heinrich participated in this decision.

The issue on appeal concerns the market value of a rural waterfront site improved with a residence and other structures.

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

FINDINGS OF FACT

The total BOE assessed value for the subject property is \$630,000, with \$436,440 allocated to the land category. Appellants contend the correct land value is \$316,440, for a total value of \$510,000.

Subject is located in the Delta Shores Estates Subdivision which is located on Derr Island in the Clark Fork Delta. Subject contains 470 waterfront feet, or 2.134 acres, and is improved with a 2,594 square foot residence built in 1981, plus several other structures including a hanger. The subdivision has an airstrip amenity.

Appellants noted subject's assessed land value increased 90% for 2014. Appellants objected to Respondent's method of valuation by using the front foot value and suggested other methods of valuation be explored. Further Appellants maintained subject is a unique property and should be valued accordingly.

Subject was purchased by Appellants in December of 2013 for \$500,000. The property was listed for sale for about three (3) years prior to sale. The original asking price was reportedly \$750,000. Leading up to the sale, and beginning in March of 2013, the record shows subject was listed for \$549,000. The previous listing, starting in mid-2012 was at \$589,000. Prior to the eventual sale, another purchase agreement for subject fell out of escrow and Appellants then made their offer which was accepted. The purchase price included some repairs and a refund of closing costs from the seller.

Appellants contended subject's assessed value should be its 2013 purchase price. An exhibit was offered which was a letter from the pastor of the church (seller). The letter provided the sale was not "made under duress, or in distress." Respondent countered one (1) sale price does not make the market. Further, Respondent noted the subject property was donated to the church and any money received from the sale would be pure profit for the church, and for this reason the sale may not reflect market value.

In addition to subject's purchase information, Appellants provided an independent fee appraisal report with an effective valuation date of November 13, 2013. The appraisal considered four (4) improved sales, and one (1) listing from 2013 for comparison with subject. The sale prices ranged from \$390,000 to \$589,000. After making appraisal adjustments for physical differences between subject and the sale properties, the adjusted prices were between \$491,995 and \$572,150. Adjustments were made for differences in lot size, quality of construction, square footage, fireplace count, site improvements, and effective age. The appraisal estimated a value of \$510,000 for subject. Referencing one nearby Derr Island Road single lot sale, the appraisal estimated subject's land-only site value at \$317,450.

Respondent contended the sales considered by the fee appraisal were all inferior to subject. One (1) sale property was described as being located in a less desirable location and included a mobile home, while another sale had merely slough frontage, and the remaining two (2) sales had no waterfront.

Lastly, Appellants referenced the sale of a unimproved 100 waterfront foot property located nearby on Derr Island Road. This sale took place in November of 2013 and sold for \$149,000. After removing the site improvements value of \$13,000, a land value rate of \$1,360 per front foot was indicated. Respondent and the fee appraisal also used this sale in their analyses.

Respondent considered subject's land and improvement components separately. Respondent considered subject's residence as "average" quality of construction and grade.

Four (4) improved sales were offered into record, of which three (3) had the same grade and condition as subject. The remaining sale was of “fair” grade and “average” condition. After assessed land values were removed, sale prices for the improvements ranged from \$124,570 to \$178,830, or \$67 to \$75 per square foot. The assessed value of subject’s residence is \$198,190, or \$66 per square foot.

Four (4) 2013 sales were offered by Respondent in support of subject's assessed land value. Sale No. 1, was the Derr Island Road sale provided by Appellants. Respondent described this property as having similar waterfront and views as subject. Respondent's Sale Nos. 2 through 4 each contained 100 feet of water frontage. They were all described as having similar waterfront and views as subject, however they were noted to be in superior locations. Sale No. 2 sold for \$232,000, or \$2,313 per front foot. Sale No. 3 sold for a dollar per front foot value of \$1,700. Sale No. 4 had a reported sale price rate of \$2,500 per front foot. Respondent explained a sliding scale was used in the valuation of front footage, which produced a lower average value per front foot for subject versus the smaller sale properties.

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, 2014 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. *Merris v. Ada County*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). The Board found this case chiefly presented a dispute centered on subject’s land value. The land value of a residential site is typically determined through a sales comparison approach.

Both parties submitted timely sales information to support their opinion of subject’s land value. Three (3) of Respondent’s sales were noted to be in superior locations and had considerably less footage. As expected, these sales showed far higher waterfront price rates. The remaining sale sold for \$149,000 and contained 100 front feet. This sale was located in close proximity, however, was substantially smaller than subject.

Appellants provided an appraisal which concluded an overall \$510,000 value for subject. The improved sales compared with subject were demonstrated by Respondent to have inferior waterfront or no water frontage at all. Some adjustments were made for site differences, but the Board found support for the adjustments, or the lack thereof, was

thin. We found Respondents' analysis of land sales better reflected the waterfront market, a key element in subject's site value.

January 1, 2014 is the effective date of valuation in this appeal. Subject sold in December of 2013, or just before the relevant date. Given subject's timely sale between unrelated parties following a lengthy listing, the Board finds the sale and listing information should be carefully considered and weighed in the determination of market value. This consideration is necessarily tempered by the fact that the seller in the transaction was a church and not a typical waterfront homeowner. In the Board's judgement the sale was also somewhat irregular in the circumstances surrounding the sale, i.e. the failed escrow which was the close precursor to Appellants' offer. The Board found the subject sale should be afforded some weight, however, the price did appear to be an outlier given all the sales information in record. Also arguing for some consideration of the sale is the fact that subject's site is relatively large in comparison to typical water frontages and the other waterfront sales in record. Respondent's valuation reflected a marked discount for the large size, but the adjustment was not well supported in the record.

The Board understands Respondent did not have an opportunity to use the subject sale in its original analysis. However, now that the sale price information is available it should be given some weight. We found Respondent's sale information and analysis best demonstrated the market values of waterfront property in subject's area. The sales demonstrated price per front foot rates between \$1,360 and \$2,500 with the high end reflecting superior sites. All the sale sites had notably smaller frontages. By comparison

subject's site was assessed at \$436,440, or \$901 per front foot.

In factoring in the subject price information, the Board finds some weight should be given this information, while the major weight should be given to Respondent's sales information and its site value analysis.

In appeals to this Board, the Appellant bears the burden of proving error in subject's assessed value by a preponderance of the evidence. Idaho Code § 63-511. In this case, the Board found that the burden of proof was satisfied.

Based on the above, the market value decision of the Bonner County Board of Equalization is modified to reflect a total value for subject of \$592,560, with the land category value set at \$399,000.

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 to reflect a total property valuation of \$592,560. This valuation should be understood to reflect a land category value of \$399,000.

IT IS FURTHER ORDERED that 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.

DATED this 18th day of February, 2015.