

BEFORE THE IDAHO BOARD OF TAX APPEALS

JOHN MAGNUSON,	)	
	)	
Appellant,	)	APPEAL NO. 14-A-1025
	)	
v.	)	FINAL DECISION
	)	AND ORDER
KOOTENAI COUNTY,	)	
	)	
Respondent.	)	
	)	
	)	
_____	)	

**RESIDENTIAL PROPERTY APPEAL**

This appeal is taken from a decision of the Kootenai County Board of Equalization denying the protest of valuation for taxing purposes of property described by Parcel No. 50N04W266250. The appeal concerns the 2014 tax year.

This matter came on for hearing September 30, 2014 in Coeur d'Alene, Idaho before Board Member Linda Pike. Appellant John Magnuson was self-represented. Assessor Mike McDowell 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 Kootenai County Board of Equalization is modified.**

FINDINGS OF FACT

The assessed land value is \$2,529,436, and the improvements' valuation is \$249,300, totaling \$2,778,736. Appellant contends the correct total value is \$1,800,000.

The subject property totals 10.06 acres in size with 608<sup>1</sup> waterfront feet on the west

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<sup>1</sup>Only the value of the 300 front feet associated with subject's homesite was challenged. The remaining non-disputed 308 front feet were assessed at a lower "excess frontage" rate.

side of Lake Coeur d'Alene. The residence, constructed in 1956, contains 3,594 square feet. Other improvements included three (3) cabins, several outbuildings, a boat garage, and boat docks totaling 2,700 square feet in size.

Appellant noted front foot assessment rates in subject's area were widely divergent. It was argued recent market data does not support the roughly \$7,200 per front foot assessment rate applied to subject's homesite frontage. In this regard, Appellant offered information concerning several properties situated in subject's area. The first was an active listing of a vacant waterfront parcel with 382 front feet on the lake. The lot had been on the market in excess of two (2) years with an asking price of \$995,000, or roughly \$2,604 per front foot. Next, Appellant referenced an improved parcel with 120 waterfront feet. The land component was assessed at a rate of \$3,120 per front foot for 2014. Appellant further pointed to a nearby unimproved parcel, which was assessed at \$1,683 per front foot for 2014. Appellant noted this last property sold in July 2014 for approximately \$3,372 per front foot. Lastly, Appellant discussed a November 2012 sale involving a lot with 75 front feet which sold for \$2,600 per front foot.

Appellant also provided some sales information obtained from a local fee appraiser. During 2012 and 2013, the appraiser reported fifteen (15) waterfront sales, none of which sold above \$5,732 per front foot. Appellant focused on three (3) sales from the list. The first two (2) involved vacant waterfront lots located on the west side of Lake Coeur d'Alene. The first was a 1.35 acre parcel with 300 front feet, which sold in October 2012 for \$1,250,000, or \$4,166 per front foot. Sale No. 2 concerned a .93 acre lot with 100 front

feet. The property sold in August 2012 for \$430,000, or \$4,300 per front foot. Sale No. 3 involved two (2) five (5) acre lots with approximately 235 combined front feet on the north side of the Spokane River, which sold for \$1,350,000, or \$5,732 per front foot.

Respondent provided information regarding four (4) improved and three (3) unimproved waterfront sales for comparison with subject. Two (2) of the improved sales transpired during 2013 and two (2) occurred in 2014. The sales were widely varied in terms of acreage and physical characteristics of the associated residences. Front footage ranged from roughly 131 to 423 front feet. Sale prices were between \$830,520 and \$6,842,500. After applying a time adjustment and removing the assessed value of the improvements, Respondent calculated land prices, on a front foot basis, between \$3,500 and \$8,540.

Of Respondent's vacant lot sales, two (2) occurred during 2013 and one (1) closed in October 2012. Lot sizes varied between 1.356 and 12.294 acres with water frontage ranging from approximately 236 to 590 front feet. Sale prices were between \$850,000 and \$1,950,000, which equated to front-foot rates between \$3,300 and \$5,500, after a time adjustment factor was applied.

Respondent further provided a sales comparison analysis comparing subject to three (3) improved sales, two (2) of which were referenced above. The third sale concerned an improved parcel which sold for \$4,876,000 in July 2012. The number of front feet was not indicated. Sale prices were adjusted based on differences in physical characteristics between subject and the sale properties, such as lot size, construction

quality, residence size, and other improvements. Net adjustments varied from roughly 6% to 252%, resulting in adjusted sale prices between \$2,926,502 and \$5,196,741.

### 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). Both parties offered market information typically included in a sales comparison approach.

The Board understands subject is a unique improved property and therefore presents a difficult valuation question. Exacerbating the difficult appraisal is a lack of

recent sales closely approximating subject. Both parties presented various valuation evidence, however, there were concerns with some of the data and the accompanying analyses. The first issue concerns Respondent's inclusion of two (2) sales from mid- to late-2014. An appraisal of market value is always at a particular point in time. Generally, such opinion is developed using market data existing, or knowable, prior to the effective date of valuation. In the instant case, January 1, 2014 is the relevant valuation date. Respondent's 2014 sales occurred well beyond January 1, and such information was not known or knowable on the valuation date. As such, the Board excluded the 2014 sales information from its review, as well as, Appellant's information related to a July 2014 sale.

Also of concern was the assessment information offered by Appellant. Appellant's point about variance in assessed values is well understood, however, a comparison of assessed values is not a recognized appraisal approach when valuing a single property. For this reason, Appellant's assessment data was not considered. Appellant was noted to not present any independent value evidence on the subject property as a whole.

Lastly, the Board was reluctant to place much weight on the sales comparison analysis offered by Respondent. The type of adjustments were not atypical, however net adjustment rates ranged from 6% to 252%, which was notably high. High rates of adjustment indicate the sale properties were not highly similar to subject. Large adjustments also increase the potential margin of error, which in turn undermines the reliability of the value conclusion. Furthermore, support for the time adjustment applied to the sale prices was lacking. Nonetheless the offered appraisal of subject as improved was

generally supportive of the overall assessment and further indicated some possibility of being at the lower side of the indicated price range.

What remains to consider is the indicated homesite values from a handful of improved and vacant residential sales from 2012 and 2013. Physical characteristics were varied, which is evidenced by the differing sale prices and indicated price rates. Sale prices were found to range between \$2,600 and \$6,800 per front foot, for frontages ranging from 131 to 590 front feet. Only two (2) of the parties' respective sales sold in excess of \$5,500 per front foot, while subject's homesite frontage was assessed at roughly \$7,200 per front foot. Respondent did not sufficiently explain or otherwise support the variance (premium) between subject's assessment rate and the notable number of lower sale prices. Given the sales information in record, subject's homesite assessment was found to be high.

In appeals to this Board, the burden is with the Appellant to establish subject's valuation is erroneous by a preponderance of the evidence. Idaho Code § 63-511. In this particular instance, Appellant satisfied the requisite burden of proof. Admittedly, there were issues of comparability between subject and the sale properties offered by both parties, and even when focusing just on the primary homesite frontage. Even so, The Board found none of the timely sales approached the front foot assessment rate applied to subject.

The parties characterized subject as a highly desirable and unique property in the county. From the evidence presented the Board agrees subject is a higher-end lakefront

property for which a value premium should be attached. As such, the Board will set subject's homesite frontage value near the top of the range indicated by the sales. The highest sale price was \$6,800 per front foot, but had only 132 waterfront feet, which is significantly less than subject. It was not clear how Respondent accounted for this key component in its analysis. The Board was further reluctant to place primary weight on this sale because it appears to be an outlier compared to all the other sale prices in record; the next closest sale price being about \$5,700 per front foot. Using its best judgment, and based upon the record before it, the Board will reduce the value of subject's homesite frontage to reflect a valuation rate of \$6,500 per front foot.

The decision of the Kootenai County Board of Equalization is modified to reduce the value of subject's 300 homesite front feet to \$1,950,000, with no changes to the other components of the 2014 assessment.

#### FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Kootenai County Board of Equalization concerning the subject parcel be, and the same hereby is, MODIFIED to reflect a decrease based on reducing subject's 300 front foot homesite value to \$1,950,000.

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 Appellant.

DATED this 13<sup>th</sup> day of March, 2015.