

BEFORE THE IDAHO BOARD OF TAX APPEALS

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|---------------------------|---|----------------------|
| MINIDOKA COUNTY ASSESSOR, |) | |
| |) | |
| Appellant, |) | APPEAL NO. 14-A-1068 |
| |) | |
| v. |) | FINAL DECISION |
| |) | AND ORDER |
| GARRETT CONDIE, |) | |
| |) | |
| Respondent. |) | |
| _____ |) | |

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Minidoka County Board of Equalization granting the protest of valuation for taxing purposes of property described by Parcel No. RP085400000060. The appeal concerns the 2014 tax year.

This matter came on for hearing September 25, 2014 in Rupert, Idaho before Board Member Leland Heinrich. Assessor Max Vaughn represented Appellant. Garrett Condie appeared as 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 Minidoka County Board of Equalization is modified.

FINDINGS OF FACT

The original assessed land value was \$32,555, and the improvements' valuation was \$303,543, totaling \$336,098. The Minidoka County Board of Equalization reduced the value of the improvements to \$220,000, with no change to the land value, resulting in a total value of \$252,555. Appellant requests the original assessed values be reinstated.

The subject property is 4.185 acre parcel located in the Baseline Estates subdivision in Rupert, Idaho. The property is improved with a 2,635 square foot residence constructed in 2013.

The subdivision consists of six (6) parcels, five (5) of which have been improved.

Appellant first addressed how subject's land value was derived. Seventeen (17) lot sales which occurred between 2011 and 2013 were studied. Lot sizes ranged from .45 to 4.185 acres, with sale prices between \$12,000 and \$50,000. Included in the study were two (2) sales from Baseline Estates, one (1) of which was subject's purchase in June 2013 for \$50,000. The other sale concerned a 3.54 acre lot which sold in November 2011 for \$34,000. In valuing larger acreage lots, Appellant explained the first acre is assessed as a homesite at \$23,000 and the remaining acreage is considered excess and valued at a lesser rate. Appellant pointed to the results of the recent ratio study, wherein assessed values were compared to sale prices. Current assessed values were within 90% and 110% of market value as required by the Idaho State Tax Commission (STC) for purposes of measuring uniformity and assessment levels.

Offered in support of subject's improvement valuation were a couple sets of data. The first data set consisted of nine (9) sales involving residences constructed in either 2012 or 2013. The residences ranged in size from 1,144 to 2,376 square feet. Sale prices were between \$116,500 and \$328,301. Appellant removed assessed land and other improvement values and calculated a sale price range for the residences between \$74 and \$125 per square foot. Details related to lot size and other improvements were not provided. With a mean sale-price-to-assessed-value ratio of 103%, Appellant remarked the group of sales were assessed within the STC's standards. Appellant considered Sale No. 3 as most comparable to subject in terms of construction quality. The 2,105 square foot residence sold in April 2013 for \$328,301, or \$125 per square foot after removing values attributable to land and other improvements.

Lastly, Appellant provided assessment information for all the properties located in

subject's subdivision. Two (2) of the residences were considered "average" quality of construction and three (3), including subject, were regarded as "good" construction quality. The "average" residences were 2,344 and 2,515 square feet in size, with total assessed values of \$229,263 and \$219,224, respectively. The "good" residences, excluding subject, involved residences 2,620 and 2,836 square feet in size. Total assessed values were \$398,113 and \$338,187, or \$115 and \$91 per square foot, respectively, after land and other improvement values were removed. Appellant argued the original assessed value of \$114 per square foot for subject's residence was consistent with the assessments of other "good" quality residences in the development.

Respondent contested subject's construction quality rating of "good". Respondent pointed to another residence in subject's subdivision rated "average" and contended it was superior to subject in terms of interior finish. The other residence was noted to have granite counter tops, a custom-built fireplace, and hardwood floors. Subject, on the other hand, has laminate counter tops and an overall modest finish compared to the other residence. In Respondent's view, there was inadequate support for subject's higher quality rating.

Respondent also provided the bid for subject's construction, as well as, the settlement statement for subject's financing. The construction bid totaled \$216,928, which included all materials and labor. As the contractor was an independent third party, Respondent characterized the bid as an arm's-length agreement and representative of market construction costs. The settlement statement showed a contract sale price of \$209,999 for the residence, \$32,664 as the balance remaining on the lot, and settlement costs of \$6,907, resulting in a total settlement amount of \$249,571. The BOE determined a total value of \$252,555 for subject.

Following a post-hearing order from the Board, Respondent submitted an independent fee appraisal concerning the subject property. The appraisal considered three (3) improved sales from late-2012 located within five (5) miles of subject. The sales involved parcels ranging in size from 2.1 to 3.5 acres, and residences between 2,356 and 3,111 square feet. Sale prices were between \$237,600 and \$305,000. After making value adjustments for differences in physical characteristics between subject and the sale properties, the appraisal concluded adjusted sale prices between \$255,600 and \$311,560. The appraisal estimated a total value of \$286,000 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, 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.

There are three (3) generally recognized approaches for determining market value; 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). The sales comparison approach is typically used for determining the value of a residential property. The cost approach is also often

considered in estimating the value of a recently-constructed property.

Appellant's value evidence consisted of both sales and assessment information. Repeated reference was also made to the results of a recent ratio study. The Board recognizes that ratio studies represent a useful tool in mass appraisal for measuring general equity and uniformity in assessments. A key weakness of this statistically-driven methodology, however, is it is not designed to estimate the market value of an individual property. Rather, it is geared to measure assessment levels of a broad class of properties. Under appeal here is a single property. Therefore, the Board afforded more weight to evidence focused on subject's individual valuation. In similar fashion, the Board was also not persuaded by assessment information for other residential properties because comparisons of assessed values is not a recognized appraisal approach.

What remained was the list of sales involving recently constructed residences. Sale prices ranged from \$116,500 to \$328,301. After removing assessed land and other improvement values, Appellant calculated sale prices for the residences between \$74 and \$125 per square foot. Of the nine (9) sales included, only one (1) was regarded by Appellant as similar to subject in terms of construction quality. The property sold for \$328,301 in April 2013. After removing land and other improvement values of roughly \$65,000, Appellant calculated a sale price of \$125 per square foot for the 2,105 square foot residence.

While the Board appreciated Appellant's effort to provide recent sales data, it was not clear how the information was used to arrive at subject's requested value. Details concerning location, lot size, and the other improvements associated with the sales were not shared. In addition, it does not appear consideration was given for differences in square footage between

the sales and subject. This is of particular concern regarding the property Appellant considered most similar to subject. The residence was roughly 500 square feet smaller than subject. Being smaller, economies of scale suggest the per-square-foot sale price might be higher than a similar type residence with more square footage. Without some adjustment it is difficult to make price-per-square-foot comparisons.

Support for Respondent's value position came in the form of subject's settlement statement and the bid for its construction. While cost does not necessarily equate to value, such information can provide a value indication for a property recently constructed. The bid amount was also similar to the contract price included in the settlement statement.

Additionally, Respondent provided an independent fee appraisal with a June 4, 2013 effective date of valuation. The appraisal compared subject to three (3) recent sales which were generally comparable to subject in terms of size, location, and design. After making adjustments for differences between subject and the sale properties, the appraisal concluded a market value of \$286,000 for subject.

In appeals to this Board, the burden is with Appellant to prove error in subject's valuation by a preponderance of the evidence. Idaho Code § 63-511. In this particular instance, the Board found that burden satisfied. Appellant provided some sales information, but it was not apparent how it directly related to subject's value. The one (1) sale involving a residence of similar construction quality was not adjusted for physical differences compared with subject. Even with such adjustments, it is difficult to accurately estimate market value with only one (1) sale. While there were some questions related to Respondent's value evidence, it did represent actual recent cost numbers for subject's construction and financing. More compelling, however,

was subject's fee appraisal, which carefully considered subject in relation to three (3) recent sales from the area. The analysis contained therein was thorough and the appraisal adjustments made to the sales were reasonable.

In all, the evidence in record sufficiently demonstrated subject's value was somewhat understated. Therefore, the decision of the Minidoka County Board of Equalization is modified to reflect a total value of \$280,000.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Minidoka County Board of Equalization concerning the subject parcel be, and the same hereby is, MODIFIED, to increase the value of subject's improvements to \$247,445, with no change to the \$32,555 land value.

DATED this 23rd day of December, 2014.