

BEFORE THE IDAHO BOARD OF TAX APPEALS

R. MICHAEL RAPOPORT,	)	
	)	
Appellant,	)	APPEAL NO. 14-A-1029
	)	
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. RP0372800001B0A. The appeal concerns the 2014 tax year.

This matter came on for hearing September 25, 2014 in Sandpoint, Idaho before Hearing Officer Travis VanLith. Appellant R. Michael Rapoport was self-represented. Assessor 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 \$63,000, and the improvements' valuation is \$462,530, totaling \$525,530. Appellant contends the total value is \$364,000.

The subject property is a .63 acre parcel improved with a 3,618 square foot residence constructed in 2005. The property is located near the Schweitzer ski resort and enjoys panoramic views of Lake Pend Oreille. Access to subject is via a private easement

which extends a couple miles from a paved county-maintained road. Appellant described access to subject as difficult because the road exceeds a 10% grade.

Appellant purchased subject in May 2014 for \$364,000. The property was reportedly listed for sale with an asking price of \$459,000 at the beginning of 2014. After several reductions in asking price and some competing purchase offers, Appellant's offer of \$364,000 was accepted. Appellant contended subject's assessed value should be near its 2014 purchase price. Respondent countered subject's purchase was distressed and therefore the sale price did not reflect full market value.

In addition to subject's purchase information, Appellant provided an independent fee appraisal report with an April 1, 2014 effective date of valuation. The appraisal considered six (6) sales from 2013 for comparison with subject. Subject's construction quality was regarded as "very good", and four (4) of the sale properties were rated as either "very good" or "good". The other two (2) sales were of lesser quality, but were included because they were situated in close proximity to subject and therefore shared many of the same location characteristics. Sale prices ranged from \$215,000 to \$430,000. After making appraisal adjustments for physical differences between subject and the sales, adjusted sale prices were between \$356,835 and \$403,535. The appraisal estimated a value of \$375,000 for subject.

Appellant also provided information related to two (2) sales in subject's immediate area. The sales transpired in late 2013 for \$215,000 and \$220,000. The sale properties were not directly comparable to subject in terms of size or quality, but were offered instead

to demonstrate the disparity between assessed values and sale prices. According to Appellant, the sale prices were roughly 70% of the assessed values of the sold properties. Appellant noted subject's purchase price likewise represented about 70% of its assessed value.

Respondent separately considered subject's land and improvement components and offered sales in support of each. Respondent considered subject's residence as "very good" quality of construction. Of the five (5) 2013 sales provided, two (2) had quality ratings of "very good" and three (3) had "good" quality ratings. Sale prices of the "very good" residences were \$895,000 and \$950,000, which after removing assessed land values, indicated prices for the residences of \$723,619 and \$748,099, respectively. Both were a couple years newer and roughly 2,000 square feet larger than subject. The remaining properties had sale prices between \$445,000 and \$860,000, or between \$325,240 and \$423,520 for the residences. These latter residences bracketed subject in terms of age, but were somewhat smaller. The location details regarding the sale properties were not shared by Respondent, however, Appellant indicated they were situated in areas dissimilar from subject's mountainside location.

Seven (7) sales which occurred during 2012 and 2013 were offered by Respondent in support of subject's assessed land value. Five (5) of the sales were vacant at the time of sale. These lots ranged in size from .353 to 20.12 acres. One (1) of the vacant sales was located on the same street as subject and the others were noted to be situated on mountains similar to subject. Sale prices for these lots were between \$25,750 and

\$225,000. The remaining two (2) sales concerned improved parcels. Removing assessed improvement values from the sale prices of \$300,000 and \$436,000, indicated residual prices of \$101,090 and \$169,880, respectively, for the underlying lots.

#### 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.

As noted above, January 1, 2014 is the relevant date of valuation in this appeal. This necessarily requires consideration of market value information prior to January 1. Subject was purchased in May 2014 for \$364,000. Because the sale occurred after the date of valuation, the Board is unable to rely on the purchase price as evidence of subject's value on January 1, 2014. For the same reason, the Board is unable to place much weight on the value conclusion reached in the April 2014 fee appraisal report. While the final

value conclusion was rendered after the assessment date, the appraisal used sales which occurred during 2013. And because the sales were timely, the Board will consider such information in its analysis.

Of the six (6) sales included in Appellant's fee appraisal report, two (2) involved properties inferior to subject in terms of construction quality. These sales were located near subject so they did share some land characteristics with subject, though the residences were not similar. The remaining sales were comparable to subject in terms of quality. There was some variation in square footage, lot size, and location, but on an overall basis the sale properties appeared to be generally representative of subject. Sale prices were between \$392,000 and \$445,000.

Respondent relied on five (5) sales from 2013 in estimating the value of subject's residence. Construction quality was similar to subject, though sizes of sale residences varied widely from 2,474 to 5,805 square feet. Sale prices were between \$445,000 and \$950,000. After removing assessed land and other improvement values, Respondent determined the residences sold between \$325,240 and \$748,099.

While both parties submitted timely sales information for the Board's consideration, there were major concerns regarding the comparability of many of the sale properties. With the exception of Sale No. 2, which was also included in Appellant's fee appraisal report, all of Respondent's sale properties sold for considerably more than subject's current assessed value. There was also little information shared about the sale properties other than age, quality, and square footage. No details were provided regarding lot sizes or

other improvements associated with the sales, yet Respondent made large adjustments to the sale prices by removing values attributable to land and other improvements. In the case of Sale No. 1, more than \$500,000 (nearly 65%) was removed from the sale price to arrive at the indicated price of the residence involved in the sale. The other sales likewise received heavy adjustments to their respective sale prices. Further, four (4) of the properties sold for substantially more than subject's assessed value. Because no direct comparisons to subject were made, it was not clear how the sales supported subject's value. The lack of key details regarding Respondent's analysis was concerning to the Board.

While Appellant's appraisal was untimely, it did reveal an issue concerning subject which should be considered. A February 2014 inspection revealed extensive damage to the plumbing caused by freezing. The summary report indicated the plumbing system would not hold pressure and there was visible damage to valves, sinks, and toilets. The report concluded new plumbing should be assumed to be needed throughout the residence. The estimated cost to make the needed repairs was between \$35,000 and \$50,000.

The Board understands Respondent did not have an opportunity to conduct an interior inspection of subject prior to assessing the property for 2014. Nonetheless, now that information regarding a serious plumbing issue has surfaced, it should be considered. As noted in the appraisal, a fully functioning plumbing system would likely be necessary to secure financing. In the Board's view, such a condition would limit subject's

marketability and therefore, negatively affect its market value. Without a full inspection report and an itemized list of repairs, the Board is reluctant to make an adjustment at the higher end of the estimated cost to cure range, but does view a lesser adjustment warranted in this instance. In addition to the plumbing issues, the timely sales information in Appellant's fee appraisal also support a modest reduction in subject's valuation.

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 particular case, the Board found the requisite burden satisfied.

Based on the above, the decision of the Bonner County Board of Equalization is modified to reflect a decrease in the value of subject's improvements to \$430,000, with no changes to the assessed land value.

#### 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 decrease in the assessed value of subject's improvements to \$430,000, with no change in the \$63,000 land value, resulting in a total assessed value of \$493,000.

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 2<sup>nd</sup> day of December, 2014.