

BEFORE THE IDAHO BOARD OF TAX APPEALS

R. MICHAEL RAPOPORT,)	
)	
Appellant,)	APPEAL NO. 14-A-1031
)	
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. RP0366600004B0A. 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 affirmed.

FINDINGS OF FACT

The assessed land value is \$68,000, and the improvements' valuation is \$238,240, totaling \$306,240. Appellant contends the correct total valuation is \$215,000.

The subject property is a 1.275 acre parcel improved with a 3,224 square foot residence constructed in 2002. Subject is located near Schweitzer Mountain Resort, and the parcel's hillside location affords views of Lake Pend Oreille.

Appellant purchased subject in October 2013 for \$215,000. Respondent noted the seller was a bank and therefore the transaction was distressed. At the time of purchase Appellant reported subject's residence needed some minor repair work, which was completed in 2014. It was explained access to subject is via a steeply graded private easement. Appellant further noted the back portion of subject's lot is bisected by another access easement to a separate parcel. In Appellant's view, subject's assessment did not adequately consider these detriments.

Appellant additionally referenced two (2) other improved sales in subject's immediate area. The first involved a property situated further up the hill. The residence was similar to subject in terms of size and age, however, was regarded as superior in terms of construction quality and finish. The property sold in June 2014 for \$364,000. The other sale concerned a .65 acre parcel improved with a 2,968 square foot residence. This latter property sold in November 2013 for \$275,000. Comparing assessed values to sale prices, Appellant determined the sale prices of these properties, and subject, were roughly 70% of their respective 2014 assessed values.

Respondent explained subject's area was reappraised for the 2014 year. An inspection of subject revealed the easement across the rear portion of the lot, as well as the parcel's close proximity to a busy railroad track. Adjusting for these factors caused subject's land value to be reduced from \$142,064 in 2013, to \$68,000 for the current assessment year.

Respondent considered subject's improvement and land values separately. In

support of subject's improvement valuation, six (6) improved residential sales were offered. Proximity of the sale properties to subject was not apparent in the record, but the sale residences were generally similar to subject in terms of age, size, and construction quality. Sale prices ranged from \$243,000 to \$381,000. Respondent removed assessed land values from the sale prices to calculate residence values between \$180,000 and \$283,140, or between \$69.37 and \$108.82 per square foot. Subject's residence was assessed for \$73.90 per square foot.

Turning to subject's land valuation, Respondent provided information on seven (7) sales from 2012 and 2013. Two (2) of the sale properties were improved at the time of sale, while the remainder were vacant. The lots varied in size from .353 to 20.12 acres. Two (2) of the sales were located in subject's immediate area, and the others were situated in areas considered similar in terms of hillside orientation. After removing improvement values from the two (2) improved sales, Respondent reported land prices between \$52,750 and \$225,000. Sale No. 5, which sold for \$115,000, was regarded as most similar to subject in terms of topography, location, and view.

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.

The cost approach, income approach, and sales comparison approach represent the three (3) widely recognized appraisal methodologies for determining market value. *Merris v. Ada County*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). Respondent relied on a sales comparison approach, which is typical for a residential property like subject. Appellant’s approach was mostly a comparison between assessed values and sale prices. While the Board understands Appellant’s position, such comparisons are not a recognized appraisal approach. That being said, Appellant did provide some sales information which was considered.

In terms of sales, Appellant provided subject’s purchase, as well as two (2) others in subject’s area. One (1) of the referenced sales occurred in 2014. In determining value on January 1, 2014, the valuation date in this appeal, the Board’s review is generally restricted to market value evidence from prior to January 1. Further, the 2014 sale property was superior in quality compared to subject and noted to otherwise not be similar. The other sale was timely, however it was not directly compared to subject. The Multiple Listing Service information sheet indicated this latter residence was somewhat older than

subject and the lot was roughly half the size of subject's lot. Overall, there were not enough details to make a reliable comparison between the sale property and subject.

What remains is subject's purchase in late 2013 for \$215,000. Typically, a recent sale of the property being evaluated is strong evidence of its market value. In this case, however, subject's purchase was distressed. Such sales are not automatically discounted from the analysis, but relying solely on a distressed sale is an insufficient basis by which to make a determination of market value. Further, subject's purchase price is notably lower than any of the other improved property sales presented by either party. As such, the Board is reluctant to rely on subject's purchase price as the best evidence of its market value.

Respondent presented six (6) sales in support of subject's assessed improvement value and seven (7) for subject's land assessment. The improved sales, though somewhat smaller than subject in terms of square footage, shared similar ages and construction quality. The Board would have preferred more details related to the physical characteristics of the improved sales, as well as their proximity to subject, but such details were lacking in the record. Respondent's analysis also lacked a direct comparison between the sale residences and subject, however, the sales appeared to reasonably represent subject on an overall basis.

The land sales were also generally similar to subject in terms of topography, view, and access. Most were smaller in size than subject's lot, which was reflected in the lower sale prices. Like Respondent, the Board viewed Sale No. 5 as most comparable to

subject's lot mostly because it was located in subject's immediate area. The Board also viewed favorably Respondent's careful consideration of subject's unique land characteristics. Specifically, the adjustments made for the easement crossing the rear portion of subject and the property's close proximity to a negative railroad influence. Making these adjustments resulted in subject's land value being reduced by roughly 50%.

The burden of proving error in subject's assessed value by a preponderance of the evidence rests with Appellant. Idaho Code § 63-511. Given the evidence presented in this matter, that burden was not satisfied. Therefore, the decision of Bonner County Board of Equalization is affirmed.

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, AFFIRMED.

DATED this 2nd day of December, 2014.