

BEFORE THE IDAHO BOARD OF TAX APPEALS

IN THE MATTER OF THE APPEAL OF ) APPEAL NO. 13-A-1011  
WILLIAM AND KATHRYN REIDY from a )  
decision of the Bonner County Board of ) FINAL DECISION  
Equalization for tax year 2013. ) AND ORDER

**RESIDENTIAL PROPERTY APPEAL**

THIS MATTER came on for hearing October 8, 2013, in Sandpoint, Idaho before Board Member Linda Pike. Board Members David Kinghorn, Linda Pike and Leland Heinrich participated in this decision. Appellants William and Kathryn Reidy appeared at hearing. Assessor Jerry Clemons, Chief Deputy Ken Bocksch, and Appraisers Jeff Van Stone and Ben Hawkins appeared for Respondent Bonner County. 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. RP031650010010A.

**The issue on appeal is the market value of an improved residential property.**

**The decision of the Bonner County Board of Equalization is reversed.**

FINDINGS OF FACT

The assessed land value is \$108,207, and the improvements' valuation is \$756,230, totaling \$864,437. Appellants request the total value be reduced to \$662,600.

The subject property is a 2.723 acre parcel situated on Moose Mountain in the Golden Tee Estates subdivision located near Sandpoint, Idaho. The development, which consists of mostly primary and secondary dwellings, is generally referred to as The Idaho Club. Subject is improved with a 5,919 square foot residence, which Respondent regarded as "Excellent +" construction quality. Subject enjoys filtered southerly views of Lake Pend Oreille and the surrounding mountains.

The Idaho Club is a large development located east of Sandpoint. In general terms, the subdivision can be thought of as having two (2) areas. The portion located north of Highway 200 includes an Arnold Palmer designed golf course. Many of the parcels in this section are situated along the golf course or the adjacent Pack River. The other main portion of the development is south of the highway. This section mostly encompasses Moose Mountain and is also near the Pack River. Properties on the south side of the development generally enjoy views of the river, the lake, and/or the surrounding mountains. Subject is located in the south section. Both parties characterized the market within the overall development as being somewhat down, with the majority of sales in the past few years being distressed.

Appellants purchased subject in July 2012 for \$662,600. Appellants explained the seller was a national bank, however, maintained the sale price reflected full market value. Subject was listed through two (2) separate realtors. The property was not sold at auction or as part of a foreclosure or short sale. There were other offers for the property, but upon submitting the highest one, the seller accepted Appellants' offer.

Appellants reported nearly 30% of the sales reported in the Coeur d'Alene Multiple Listing Service (MLS) involved banks as sellers. In Appellants' view, the bank acted prudently in attempting to solicit the highest offer possible, which was \$662,600. Concluding the transaction was arm's-length and reflective of current market value, Appellants petitioned this Board to set subject's assessed value at the purchase price.

Appellants also provided one (1) improved and two (2) vacant land sales which

occurred within The Idaho Club. Respondent objected to the sales information because the transactions did not close during 2012. The first sale was a three (3) acre lot with a view of the Pack River. The lot was located very near subject. The parcel was put on the market by a bank on December 6, 2012 with an asking price of \$35,000. The lot went under contract for \$21,000 at the end of January 2013, and closed on February 15, 2013.

The other unimproved sale involved a parcel situated even closer to subject than the above sale. The .9 acre lot went under contract January 29, 2013 at \$28,000. The sale closed March 5, 2013.

The final sale concerned a .33 acre parcel improved with a 3,719 square foot residence built in 2004. The property was located in the north section of the Idaho Club and overlooks the 3<sup>rd</sup> tee. In this regard, Appellants did not view the property as comparable to subject. The property went under contract on December 7, 2012 and closed on January 16, 2013 for \$390,900.

Respondent examined subject's land and improvements components separately. Four (4) sales from 2012 involving parcels in The Idaho Club were offered in support of subject's land value. Sale No. 1 concerned a 2.529 acre vacant lot, which sold in October 2012 for \$160,000. Appellants noted the property was not completely unimproved at the time of sale. According to the MLS listing sheet, the parcel included a fully poured foundation and building plans for a roughly 3,800 square foot custom residence drafted by a well-respected local architect.

Respondent's Sale No. 2 involved a 5.01 acre parcel improved with a 5,273 square

foot residence. The property sold in October 2012 for \$1,200,000. After removing the value of the associated improvements, Respondent calculated a land residual value of \$224,009. Appellants noted this property was owned by a bank at the time of sale.

Sale No. 3 concerned a 3,740 square foot residence attached to a .42 acre parcel. The property sold in October 2012 for \$950,000. After removing improvement values, a land residual of \$231,742 was determined. Appellants cited several reasons why this parcel was not comparable to subject. First, the property was located in the north portion of the development, near the 1<sup>st</sup> tee of the golf course. Further, the parcel enjoys frontage on the Pack River. Appellants also remarked subject is situated roughly two (2) miles from a county-maintained road, as contrasted to most properties in the northern golf course section which are located much closer.

The fourth sale offered by Respondent concerned a .489 acre parcel improved with a 3,672 square foot residence. The property sold in a short sale transaction in August 2012 for \$683,500, which equated to a land residual of \$370,467. Appellants also regarded this property as not comparable to subject. First, it was located in the north section of the Idaho Club, which Appellants characterized as generally superior. Of more concern, however, was that the residence was designed as a “mini lodge”. Each bedroom suite can be locked and rented separately. In other words, the residence was designed as a commercial-type rental, which was not viewed by Appellants as comparable to subject.

Respondent additionally referenced two (2) sales in support of subject’s

improvement valuation. Sale No. 1 was considered by Respondent to be “Excellent +” construction quality like subject. The property sold at an indicated rate of \$181.36 per square foot. The other sale involved a “Very Good +” quality residence with an indicated price rate of \$116.21 per square foot. Respondent provided no information concerning location, lot size, improvement size, or other relevant characteristics information. Appellants contended the sales were not comparable to subject because they were located on the north side of the subdivision, either on or near the golf course and the Pack River. Appellants also reported the seller in the latter sale was the same bank which owned subject.

Respondent lastly submitted a real estate advertisement featuring subject. The sale sheet indicated an asking price of \$1,050,000, though it was not clear when the property was placed on the market. Appellants explained the property was on the market due to some unrelated outside circumstances, and further noted that no purchase offers were received.

#### 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 all taxable property be assessed annually at market

value on January 1 of the relevant tax year. 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.

“[T]here are three primary methods of 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). Some consideration was given to the other valuation methods, but both parties here ultimately relied on variations of the sales comparison approach. The sales comparison approach relies on a consideration of recent sales of similar property.

Respondent offered one (1) vacant land and three (3) improved sales in support of subject’s \$95,207 land value. The vacant land sale was similar to subject’s site in terms of size and the southerly location within the subdivision. The lot sold for \$160,000. The improved sales ranged in size from .42 to 5.013 acres. Two (2) of the properties were located in the northern portion of the development, near the golf course. After removing improvement values from the sale prices, Respondent calculated land residual values between \$224,009 and \$370,467.

The Board appreciated the sales information provided by Respondent, however, there were some questions of comparability between subject and the sales. More importantly there were concerns regarding how those differences were considered. One

issue was related to the vacant lot sale. According to the MLS sheet provided by Appellants, the lot came with a fully-poured foundation, as well as architectural plans for a custom residence designed by a popular local architect. Respondent's analysis did not include an explained consideration of this factor nor any adjustment for the extra items.

The Board was also unclear how Respondent adjusted for differences between subject's south-side location and those sales which were situated in the north section of the development, near the golf course. With land value residuals of \$231,742 and \$370,467 for .42 and .489 acre parcels, compared to substantially lower land residual values for the notably larger parcels in the south section, it was apparent to the Board some value differences existed between the sections. There were also other details missing, such as location on the golf course and/or the Pack River. Overall, the Board was strained to find support for subject's current land value with the limited analysis provided.

The Board had similar concerns regarding the two (2) sales offered in support of subject's improvements valuation. Most troubling was the lack of detail provided for the sale properties. Respondent only noted the quality of construction and the sale price per square foot. There was no indication of location, lot size, types of improvements, size of the residence, total sale price, or other potentially relevant details. As such, the value conclusion for subject's improvements was found to be thinly supported.

Appellants submitted two (2) vacant land sales and one (1) improved sale. The bare land parcels were located in subject's proximity and were similar in size. The lots went under purchase contract in January 2013 for \$21,000 and 28,000, and closed soon

thereafter. The improved property, which sold for \$390,900 was located in the north section of The Idaho Club. The property was under contract as of December 7, 2012, but closed approximately a month later.

The Board's primary concern with Appellants' sales is that they all closed in 2013. With a statutory valuation date of January 1, 2013, the Board normally restricts its consideration of comparable sales to those sales which occurred before January 1. Given the evidence and argument in record, the Board did not deviate from that position in this particular instance. For the same timeliness reasons, information related to subject's 2013 asking price was not considered probative evidence of market value on January 1, 2013.

Due to the concerns related to the parties' sales, the Board found subject's July 2012 purchase to be key value evidence. The seller was a bank, the implications of which were vigorously argued by the parties. In the Board's experience, it is common to observe a "discounted" price associated with a distressed sale. The amount of price variance is difficult to measure, particularly when the marketplace includes a sizeable number of distressed sales. Such is the case here, where the parties noted distressed sales represented the majority of sales in subject's subdivision the past couple years. In a situation such as this, the Board was not persuaded that a majority of weight should not be placed on the recent price information associated with subject. Indeed, other than the seller being a bank, the transaction appeared to follow a typical course; the property was listed on the open market, multiple parties submitted bids, and the highest offer was accepted. If a material discount was reflected in the purchase price, such was not

apparent from the record.

In appeals to this Board, the burden is on Appellants to prove error in subject's valuation by a preponderance of the evidence. See Idaho Code § 63-511. For the reasons cited above, the Board finds that burden was satisfied in this instance. As such, the Board will reverse the decision of the Bonner County Board of Equalization and reduce subject's total value to \$662,600.

#### 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, REVERSED, to reflect a total value of \$662,600.

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 21<sup>st</sup> day of February, 2014.