

BEFORE THE IDAHO BOARD OF TAX APPEALS

RYAN H. PEARSON FAMILY TRUST,	)	
	)	
Appellant,	)	APPEAL NO. 15-A-1004
	)	
v.	)	FINAL DECISION
	)	AND ORDER
MINIDOKA COUNTY,	)	
	)	
Respondent.	)	
_____	)	

**RESIDENTIAL PROPERTY APPEAL**

This appeal is taken from a decision of the Minidoka County Board of Equalization denying the protest of valuation for taxing purposes of property described by Parcel No. RPH26230010120. The appeal concerns the 2015 tax year.

This matter came on for hearing September 23, 2015 in Rupert, Idaho before Hearing Officer Travis VanLith. Ryan Pearson appeared at hearing for Appellant. Max Vaughn 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 Minidoka County Board of Equalization is modified.**

FINDINGS OF FACT

The assessed land value is \$19,311, and the improvements' value is \$360,170, totaling \$379,481. Appellant agrees with the land value, however, contends the correct value of the improvements is \$287,689.

The subject property is a .251 acre parcel located in the Blue River Estates subdivision in Heyburn, Idaho. The parcel is improved with a four (4) bedroom, three and one-half (3 ½) bathroom residence constructed in 2013. Respondent reported 4,128 total square feet spread

between the main level and the finished basement. The property is further improved with a 1,044 square foot attached garage.

The subject residence was constructed in 2013. Appellant provided a cost invoice for the construction. The invoice showed a total cost of \$291,261. Appellant explained the construction was performed by an independent third-party contractor and the total invoice cost represented the actual amount paid for subject's construction. Appellant contended the actual cost of construction was a strong indicator of subject's current value.

Appellant also offered an independent fee appraisal concerning the subject property. The appraisal was ordered by the financing bank. Three (3) sales from 2013 were considered in the report with sale prices ranging from \$300,000 to \$320,000. After making adjustments for differences compared to subject, adjusted sale prices were between \$298,739 and \$317,812. The appraisal concluded a total value for subject of \$307,000.

Appellant further provided two (2) comparative market analysis (CMA) reports prepared by separate local real estate professionals. The first considered four (4) sales involving recently constructed residences ranging in size from 1,707 to 2,417 square feet. Two (2) of the sales occurred in 2014 and the others closed in 2015. The CMA included detailed property characteristic summaries. Sale prices were between \$201,000 and \$285,000. After adjusting the sales for differences compared to subject, adjusted sale prices ranged from \$227,240 to \$309,840. The CMA determined subject's probable value between \$274,000 and \$291,000.

The second CMA report looked at six (6) sales for comparison with subject. Dates of sale were not indicated. The sale residences ranged in size from 2,393 to 3,727 square feet. With the exception of one (1) built in 2014, the sale residences were all constructed in the mid-2000s.

Sale prices were between \$252,000 and \$330,911. After adjustments, the CMA found adjusted sale prices between \$279,500 and \$309,911. Subject's total value was estimated to be \$297,020.

Appellant also provided information concerning a recent sale located in Burley. The sale residence, constructed in 2007, was similar to subject in size and general design. At .32 acres, the sale lot was larger than subject. The property sold in October 2014 for \$260,000.

Appellant next submitted assessment information for ten (10) improved properties. The residences varied in size from 2,150 to 4,414 square feet. The residences were assessed between \$62.55 and \$78.61 per square foot, or an average of \$70.65 per square foot. Appellant noted the average assessed value of the two (2) residences located in subject's immediate area was \$77.32. Subject was assessed nearly \$92 per square foot.

Lastly, Appellant contested the size of subject's residence. In this regard Appellant provided size estimates from three (3) sources. The first was from the architect responsible for drafting the building plans, who calculated a total size of 3,766 square feet. The second size estimate was from the contractor who constructed the residence. The contractor measured 1,873 square feet on the main level and 1,893 square feet in the basement, or a total of 3,766 square feet. Lastly, Appellant furnished the building permit which indicated 1,862 square feet in both the main and basement levels, or a total of 3,724 square feet. Respondent explained it had measured subject's exterior on two (2) separate recent occasions and determined a total size of 4,128 square feet. Based on the building plans, Respondent opined the difference might be attributable to a room labeled "secure storage" in the basement. Respondent also pointed out the fee appraisal determined a total size of 4,216 square feet.

Respondent submitted a list of assessed values in subject's subdivision. No details concerning the compared properties were provided. Total assessed values ranged from \$80 to \$99 per square foot, with a median rate of \$86 per square foot. Subject was assessed roughly \$92 per square foot.

Respondent described the local real estate market as steady or slightly rising. Respondent reported a healthy new construction market which is contributing to increasing prices. Respondent offered information concerning six (6) sales of residences constructed between 2005 and 2014. The sale residences were considered "good" quality of construction like subject. The residences ranged in size from 2,105 to 4,494 square feet. Details concerning lot size and location were not shared. Two (2) of the sales transpired in 2012, of which one (1) resold in 2015. Two (2) of the sales closed in 2013 and the remaining two (2) in 2014. Sale prices were between \$278,540 and \$525,000, or from \$84 to \$156 per square foot. Respondent reported sale-price-to-assessed-value ratios between 87% and 104%.

Respondent next focused on three (3) resales involving newer residences. Physical details concerning the sale properties were not offered. The first involved a 2009 residence which sold in March 2015 for \$155,000 and again in May 2015 for \$140,000. The second concerned a 2011 residence which sold in May 2011 for \$161,000 and in June 2014 for \$189,000. The final sale, which was also included in the above list of newer construction sales, involved a 2009 residence which sold in October 2012 for \$452,500 and again in June 2015 for \$522,000.

Respondent also provided a ratio study analysis of residential sales which occurred during 2013 and 2014. The analysis measured the differences between sale prices and assessed

values. The report indicated a median ratio of 95.80%. Respondent filtered the data to create a report which included only residences with a condition rating of “good”. The three (3) highest sales had prices of \$255,000, \$330,911, and \$525,000 and the remaining twelve (12) properties sold for \$190,000 or less. The median ratio was 98.66%.

Respondent additionally provided information concerning three (3) sales which occurred between April 2015 and June 2015. Lot sizes were not indicated, however, the sale residences were between 3,613 and 3,892 square feet in size. The residences were constructed in 1994, 2005, and 2009. Sale prices ranged from \$360,000 to \$522,000, or from \$100 to \$137 per square foot.

#### 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, 2015 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 income, cost, and sales comparison approaches represent the three (3) primary methods for determining market value. *Merris v. Ada County*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). Residential property is commonly valued using the sales comparison approach and

both parties offered relevant information in this regard.

The Board appreciated the quantity of market data provided by both parties, however, there were concerns with some of it. Most notably, both parties provided some sale information from 2015. As noted above, the controlling date of valuation in this appeal is January 1, 2015. Typically only market data from prior to the valuation date is used to develop a value opinion as of that date because information beyond the valuation date is not known. As a result, the Board excluded 2015 market data from its consideration. The Board also did not rely on the second CMA report submitted by Appellant because dates of sale were not indicated. Finally, the assessment information from both parties did not factor into the Board's analysis because a comparison of assessed values is not a recognized appraisal approach.

What remains are numerous sales and value indicators from prior to 2015. In this regard, Appellant offered an independent fee appraisal, a CMA prepared by a local realtor, the actual cost to construct the subject residence, and an additional 2014 sale involving a relatively similar property. The range of value from these indicators was \$260,000 to \$307,000.

Respondent's remaining value evidence consists of six (6) sales of recently constructed residences and a list of all "good" condition sales from 2014. Of the six (6) sales, two (2) were from 2012, two (2) were from 2013, and two (2) were from 2014. The Board's primary concern was the majority of the sales occurred more than a year ago. Consideration of older sales is not prohibited, however, an adjustment for changing market conditions is often necessary to develop a current opinion of value. The Board did not see where Respondent's analysis adjusted for, or otherwise considered time of sale for these older sales. As a result, the Board afforded less weight to these sales. The Board also struggled to find support for subject's value based on the

list of “good” condition sales. Only one (1) sold in excess of subject’s assessed value, with the overwhelming majority selling below \$200,000. It was not clear how this sale information correlated to subject’s current valuation.

Idaho Code § 63-511 requires Appellant to prove error in subject’s valuation by a preponderance of the evidence. On the issue of value, the Board finds this burden satisfied. Appellant’s value evidence was more thorough and detailed. The appraisal and the CMA both considered recent sales data and adjustments were made for comparison between subject and the sale properties. Subject’s actual construction costs were also received favorably by the Board. By contrast, Respondent’s market data was not narrowly focused on subject, but rather tended to portray general market conditions, which were difficult to tie back to subject’s value. Overall, the Board found Appellant presented the stronger valuation case.

The Board did not find, however, the burden of proof satisfied with respect to subject’s square footage. Respondent reported measuring subject’s residence on two (2) separate occasions. Respondent also noted the fee appraisal’s measurements closely approximated those of Respondent. Appellant, on the other hand, presented several different size estimates for subject. The building permit, the architect, the contractor, and the fee appraisal pointed to different size conclusions. A presumption of correctness attaches to Respondent’s property records and the various size and conflicting estimates offered by Appellant were insufficient to overcome this presumption.

Based on the above, the decision of the Minidoka County Board of Equalization is modified to reflect a total value for subject of \$310,000.

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 reflect a decrease in the improvements' valuation to \$290,689, with no change to the \$19,311 land value, resulting in a total value of \$310,000.

IT IS FURTHER ORDERED, pursuant to Idaho Code § 63-1305, 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.

Idaho Code § 63-3813 provides that under certain circumstances the above ordered value for the current tax year shall not be increased in the subsequent assessment year.

DATED this 5<sup>th</sup> day of February, 2016.