

BEFORE THE IDAHO BOARD OF TAX APPEALS

STERLING TRUST,)	
)	
Appellant,)	APPEAL NO. 14-A-1087
)	
v.)	FINAL DECISION
)	AND ORDER
KOOTENAI COUNTY,)	
)	
Respondent.)	
_____)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Kootenai County Board of Equalization denying the protest of valuation for taxing purposes of property described by Parcel No. 059000020080. The appeal concerns the 2014 tax year.

This matter came on for telephonic hearing October 14, 2014 before Hearing Officer Cindy Pollock. Michael Sullivan represented Appellant at hearing. Appraiser Darrin Krier 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 unimproved rural residential lot.

The decision of the Kootenai County Board of Equalization is affirmed.

FINDINGS OF FACT

The assessed land value is \$38,000. Appellant contends the correct land value is \$25,000.

The subject property is a .26 acre vacant residential lot located roughly eight (8) miles northeast of Athol, Idaho, in the Bayview area. Bayview was described as a community with a large number of summer and waterfront homes. The area is known for its views and access to marinas on Lake Pend Oreille. Though some parcels in the Pend Oreille Terrace subdivision

enjoy views of the lake, subject does not.

Appellant characterized the real estate market in subject's area as slow during the prior few years. Citing the lack of recent sales of similar properties, Appellant contended support for subject's current assessed value was lacking. Subject has been listed for sale for several years, with no offers. A detailed listing history was not provided, however, Appellant reported reducing the asking price to \$35,000 in early 2014.

Appellant noted subject has a septic easement to install a drainfield on a parcel situated a couple lots away from subject. In Appellant's view, the septic arrangement negatively impacts value, which opinion was shared by local realtors with whom Appellant had spoken. Respondent acknowledged subject's somewhat unique septic arrangement, but contended there was no market data suggesting a negative value influence. Because it has legal septic capability, Respondent regarded subject as a typical rural residential building lot and valued it accordingly.

Respondent explained subject's area was reappraised for the 2013 tax year as part of its regular cyclical revaluation program wherein each parcel in the county is physically inspected at least once every five (5) years. Subject's value remained the same for 2014 due to an insufficient number of sales in the area indicating a trending market. Respondent reported three (3) improved residential sales from subject's geographic economic area during 2013. The median assessed value-to-sale price ratio of these sales was 88.41%. Respondent also considered four (4) additional sales from the broader area. Sale No. 3 was regarded as most comparable to subject because it was improved only with an old shed. This .163 acre property sold for \$38,000 in March 2013. Overall, the seven (7) sales referenced by Respondent indicated a median assessed value-to-sale price ratio of 80.31%.

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.

Market value is estimated according to recognized appraisal methods and techniques. There are three (3) approaches to value, the sales comparison approach, the cost approach, and the income approach. *Merris v. Ada County*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). Residential properties like subject are commonly valued using a sales comparison approach.

Neither party attempted a traditional sales comparison approach wherein recent sales of similar property were directly compared with subject. Rather, Respondent relied primarily on an analysis comparing sale prices to assessed values. In this regard, seven (7) residential sales from 2013 were considered, of which six (6) were improved. Respondent calculated residual land values by removing assessed improvement values from the respective prices of the sales. Assessment ratios were calculated by comparing the residual land value indications to assessed land values. Respondent determined an overall median assessment ratio of 80.31%. In other words, the land price residuals exceeded assessed land values by roughly 20%.

The Board appreciated Respondent's ratio study analysis, however, a ratio study in basic terms represents a broad statistical measurement of assessment level and uniformity within a particular class of property. No special consideration is given to an individual property, except perhaps a location factor, and no direct comparisons between properties are made. For this reason, ratio studies are generally not regarded by the Board as persuasive evidence of an individual property's market value.

Despite the Board's concerns with ratio studies, the sales included in Respondent's analysis represented the only market value evidence in the record. There were some questions of comparability between subject and the sale properties; particularly because six (6) of the seven (7) sales were improved, whereas subject is a vacant lot. It was not clear how this, and other factors, were considered in Respondent's analysis. Appellant however, did not offer competing comparable sales or other market value evidence, so there is nothing else for the Board to consider.

In appeals to this Board, the burden is with the Appellant to establish error in subject's valuation by a preponderance of the evidence. Idaho Code § 63-511. Under the circumstances presented here, the burden of proof was not satisfied. Appellant's position regarding subject's septic arrangement was well understood, but without supporting evidence of any potential impact on value, an adjustment on this basis is not warranted. Therefore, the decision of the Kootenai Board of Equalization is affirmed.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Kootenai County Board of Equalization concerning the subject parcel be, and the same hereby

is, AFFIRMED.

DATED this 13th day of March, 2015.