

BEFORE THE IDAHO BOARD OF TAX APPEALS

|                |   |                      |
|----------------|---|----------------------|
| FRANK HEILMAN, | ) |                      |
|                | ) |                      |
| Appellant,     | ) | APPEAL NO. 16-A-1059 |
|                | ) |                      |
| 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. RP54N04W141200A. The appeal concerns the 2016 tax year.

This matter came on for hearing October 4, 2016 in Sandpoint, Idaho before Board Member Linda Pike. Appellant Frank Heilman was self-represented. Manager Bonnie Bersheid 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 combined assessed land value is \$21,874, and the improvements' value is \$62,580, totaling \$84,454. Appellant contends the correct combined land value is \$11,673, and the improvements' value is \$62,850, totaling \$74,523.

The subject property is a ten (10) acre rural parcel located near Sagle, Idaho. Nine (9) of subject's acres are assessed at \$936, as forestland, and the remaining one (1) acre

homesite is assessed at \$20,938, which includes \$13,000 for onsite improvements. The property is improved with a partially complete residence roughly 3,000 square feet in size. The parties agree with the assessed value of the residence, however, the parties differ in terms of the one-acre homesite value and the value of the associated onsite improvements.

Appellant explained subject has limited utility services. Subject has a sanitary system, though does not have electricity. The water system consists of a water tank which must be filled by hauling water to the site. Because subject does not have the full complement of traditional utilities, Appellant argued the \$13,000 assessed value for onsite improvements was excessive. Appellant obtained some price quotes from local contractors to install subject's actual onsite improvements. The total amount was \$7,475, which included the sanitary system, the water tank, and the driveway and pad site grading.

Respondent stated its policy was to assess a rate of \$13,000 for onsite improvements to any parcel improved with a dwelling. Because subject has a sanitary system and some form of water system, Respondent argued the full onsite improvement rate should be applied. It was explained the \$13,000 rate was derived from a market study conducted several years ago which found buyers were willing to pay more for parcels with onsite improvements than without. Details about the study were not shared, however, Respondent intimated the \$13,000 rate might be low in today's market.

Regarding subject's one-acre homesite value, Respondent offered information concerning four (4) vacant land sales from 2015. Two (2) sales involved five (5) acre parcels and the other two (2) were twenty (20) acre tracts. Sale prices ranged from

\$39,000 to \$80,000. Respondent further noted subject's homesite value was reduced by 30% to account for the parcel's steep and remote access.

Appellant suggested using the average price per acre of Respondent's sales and applying it to subject. In this regard, Appellant calculated a value of \$4,660, or \$3,262 after applying the 30% downward adjustment for subject's difficult access. Respondent countered it would be improper to take the average price-per-acre of large acreage sales and apply it to a one-acre homesite because it is a well understood principle the first acre is the most valuable, with additional acreage contributing value at a decreasing rate.

#### 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.

Appellant challenged two (2) components of subject's assessment; the value of the one-acre homesite and the value of the onsite improvements. We turn first to the question of subject's raw homesite value.

Idaho Code § 63-205 requires taxable property be assessed at market value annually on January 1; January 1, 2016 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. The three (3) primary approaches to value include 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 property is commonly valued using the sales comparison approach.

Respondent offered information regarding four (4) recent sales of vacant land. Half of the sale properties involved five (5) acre parcels while the other two (2) sales were twenty (20) acre tracts. Appellant used the average price-per-acre of Respondent's sales and calculated a value of \$4,660, which figure was reduced to \$3,262 after applying a 30% adjustment for subject's access issues. Respondent argued such an approach would ignore the long recognized principle the first acre contributes the most value to a parcel.

While the Board understands Appellant's position, it is inappropriate to use the average price-per-acre of large acreage sales and apply it to a one-acre homesite. Admittedly, it was somewhat unclear how the larger acreage sales offered by Respondent directly correlated with the value of subject's homesite acre. That being said, in the Board's experience smaller parcels typically sell at a higher rate per acre than larger parcels, which supports Respondent's contention the first acre contributes more value than additional acres. As Appellant did not offer evidence to suggest otherwise, the Board did not find sufficient cause to decrease subject's raw homesite value.

We turn now to the value of homesite's associated onsite improvements. Appellant

noted subject has a sanitary system, however, explained water had to be hauled to the site. It was also noted subject does not have electricity. Based on these conditions, Appellant contended the total value of the onsite improvements should be reduced to \$7,475, which value was derived from quotes obtained from local professionals. Respondent explained its policy is to assess the full onsite improvement rate of \$13,000 to any parcel improved with a dwelling, regardless of whether the parcel actually has all the possible onsite improvements.

The Board certainly appreciates, at least from an efficiency standpoint, Respondent's use of a one-size-fits-all approach to assessing onsite improvements, however, such an approach runs the risk of failing to account for the actual attributes of a particular parcel. This is precisely the case at hand, where subject was assessed the full \$13,000 rate despite not having electricity and the fact water must be hauled to the property. Respondent failed to provide any evidence to support the position the market does not distinguish between a parcel with only some onsite improvements and a parcel with the full complement of onsite improvements. And without such support, the Board is strained to find the assessed value of subject's onsite improvements as reasonable. The only evidence of value for subject's onsite improvements was that offered by Appellant, which appears reasonable.

In appeals to this Board, pursuant to Idaho Code § 63-511, the burden is with the Appellant to establish Respondent's valuation is erroneous by a preponderance of the evidence. We find this burden satisfied with respect to the value of subject's onsite improvements, however, the burden of proof was not met for the value of the homesite

acre.

Based on the above, the decision of the Bonner County Board of Equalization is modified to reflect a reduction in the value of subject's onsite improvements to \$7,475, with no changes to other components of the assessment, resulting in a total parcel value of \$78,929.

#### 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, as detailed above.

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 under certain circumstances that the above ordered value for the current tax year shall not be increased in the subsequent assessment year.

DATED this 29<sup>th</sup> day of December, 2016.