

BEFORE THE IDAHO BOARD OF TAX APPEALS

HENRY MADSEN,)	
)	
Appellant,)	APPEAL NO. 16-A-1128
)	
v.)	FINAL DECISION
)	AND ORDER
BENEWAH COUNTY,)	
)	
Respondent.)	
_____)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Benewah County Board of Equalization modifying the protest of valuation for taxing purposes of property described by Parcel No. RP004500100120A. The appeal concerns the 2016 tax year.

This matter came on for hearing October 6, 2016, in St. Maries, Idaho before Hearing Officer Cindy Pollock. Appellant Henry Madsen was self-represented. Assessor Donna Spier represented Respondent.

Board Members David Kinghorn, Linda Pike and Leland Heinrich participated in this decision.

The issue on appeal concerns the market value of a vacant residential parcel.

The decision of the Benewah County Board of Equalization is reversed.

FINDINGS OF FACT

The original assessed land value was \$221,910. The Benewah County Board of Equalization reduced the land value to \$168,000. Appellant contends the correct land value is \$143,000.

The subject property is a .66 acre vacant lot situated on the banks of the St. Joe River, near St. Maries, Idaho. Subject is located in the Shadowy St. Joe Lagoon

subdivision and enjoys 175 front feet on the river. The subdivision is comprised of both developed and undeveloped parcels. Amenities include paved access maintained by the county, electricity, and city water and wastewater services. Appellant explained subject was uniquely impacted by an access easement for the neighboring lot, as well as having restricted options for a building site due to the easement and two (2) levees which protect the property from flooding.

Appellant purchased subject in April 2015 for \$143,000, following back-and-forth negotiations with the seller who originally listed the property in 2013 at \$220,000. In Appellant's view, the transaction satisfied the necessary elements of an arm's-length purchase between a willing and knowledgeable buyer and seller. As such, Appellant argued subject's purchase price was the best evidence of market value.

In connection with the sale, Appellant's lender prepared a real estate valuation report. The report considered information related to seven (7) vacant waterfront sales from 2015 and late-2014. The sale lots ranged in size from .33 to .81 acres, with sale prices between \$50,000 and \$115,000, or from roughly \$83,000 to \$218,000 per acre. The report noted several of the sales concerned recreation-only parcels, which were regarded as inferior to subject. More weight was placed on Sale No. 3, which was considered most comparable to subject primarily because the lot was located on the same road in the same subdivision as subject. This .49 acre lot with 125 front feet on the river sold in July 2014 for \$105,000, or approximately \$214,000 per acre. The report concluded a value for subject of \$141,400.

Respondent explained property along the river is assessed by the front foot because

the amount of waterfront has the greatest impact on a parcel's value. It was noted there were only two (2) sales of buildable riverfront lots during 2015, one (1) of which was subject's purchase. The other sale involved a lot situated in subject's subdivision. Lot size was not shared, however, the parcel enjoyed 130 front feet on the river. The sale occurred in March 2015 for \$150,500, or \$1,158 per front foot. Respondent further provided information concerning two (2) additional lot sales from 2013 and 2014. The 2013 sale lot, with 100 waterfront feet, was located across the river from subject in the Cottonwood Point subdivision. The lot sold in April 2013 for \$175,000, or \$1,580 per front foot, after removing the values of a couple small outbuildings and a dock improvement. The other lot had 125 front feet on the river and sold in July 2014 for \$105,000, or \$834 per front foot.

Respondent did not directly compare any of the sale properties to subject. Rather, Respondent relied on ratio study data comparing assessed values to sale prices. Respondent reported buildable waterfront lots were assessed at 94.9% of market value, on average. Based on this information, Respondent contended the \$960 per front foot rate applied to all waterfront property in subject's subdivision was accurate. Appellant pointed out subject's assessed value was roughly 117% of the purchase price.

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, 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 methods for determining market value are the sales comparison approach, the income approach, and the cost approach. *Merris v. Ada County*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). Residential property is often valued using the sales comparison approach.

Appellant contended subject’s recent purchase for \$143,000 was the best indicator of subject’s market value. In addition to the purchase price, Appellant offered a real estate evaluation report prepared by the lender. Though not a full sales comparison approach analysis, complete with specific appraisal adjustments to the sale properties, the report did consider information concerning seven (7) sales in reaching a value conclusion of \$141,400.

Respondent provided information regarding three (3) sales in addition to subject’s purchase, however, did not attempt to directly compare any of the sale properties to subject. Rather, Respondent relied on a ratio study analysis which examined assessed values and sale prices. Assessed values of buildable waterfront parcels were reportedly at 94.9% of market value for the current tax year based on the ratio study analysis. As

such, Respondent concluded the \$960 per front foot rate applied to all waterfront parcels in subject's area was reasonable.

While the Board appreciates Respondent's reliance on ratio study data, we did not find such information the best evidence of subject's current market value. Ratio studies can serve a useful purpose in the context of mass appraisal and identifying broad market trends, however, they have not proven effective in determining the market value of an individual property. Given this, the Board found little probative value in the ratio study data.

In terms of more direct value evidence, the parties offered several sales. Admittedly, there were questions of comparability regarding some of the sale properties; particularly those included in Appellant's real estate evaluation report. That being said, there were several waterfront lot sales from subject's immediate area within the last couple years. Though not a perfect scale, the sale prices did point toward an economies of scale, wherein lots with fewer front feet sold at a higher rate per front foot than lots with more frontage. In the Board's experience, this phenomenon is common. Also of note is the fact subject has more front feet than any of the sales, so it is not surprising it sold less per front foot than the other lots.

Overall, the Board was persuaded most by subject's recent purchase. The property had been listed on the open market for a couple years, and finally sold after a series of price reductions and additional negotiations with Appellant. The transaction bears all the hallmarks of an arm's-length market value sale. The Board is typically wary of relying too heavily on a single sale, however, given the limited number of comparable sales in this particular case, we find subject's purchase price represents the best indicator of market

value.

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 the burden of proof satisfied here. In all, Appellant presented the stronger market value case.

Based on the above, the decision of the Benewah County Board of Equalization is reversed, thereby lowering subject's value to \$143,000.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Benewah County Board of Equalization concerning the subject parcel be, and the same hereby is, REVERSED, reducing subject's value to \$143,000.

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

DATED this 4th day of January, 2017.