

BEFORE THE IDAHO BOARD OF TAX APPEALS

BERT AND MARCIA BELLES,)	
)	
Appellants,)	APPEAL NO. 16-A-1021
)	
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 modifying the protest of valuation for taxing purposes of property described by Parcel No. RP059550010110A. The appeal concerns the 2016 tax year.

This matter came on for hearing September 22, 2016 in Sandpoint, Idaho. before Board Member Linda Pike. Appellants Bert and Marcia Belles were self-represented. Assessor Jerry Clemons 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 affirmed.

FINDINGS OF FACT

The assessed land value is \$556,260, the improvements' value is \$133,690, and the other improvements' value is \$10,050, totaling \$700,000. Appellants contend the correct land value is \$390,095, with no other changes, for a total assessed value of \$533,835.

The subject property is a 1.51 acre parcel with 151 waterfront feet on the east side of Priest Lake in Coolin, Idaho. The parcel is improved with a home and a dock. Only the land value was challenged at hearing.

Appellants leased the subject lot prior to purchasing it for \$380,000 at an auction. Appellants explained a 30-day auction notice was published and the auction was open to any party to bid. Appellants were the sole bidders and paid the minimum bid amount.

Appellants appealed the assessed value in 2015 to the Bonner County Board of Equalization (BOE). The BOE reduced subject's assessed land value to \$380,000, plus \$13,000 for site improvements. For the 2016 tax year, the assessed value for subject's land was \$654,500. Again, the assessed value was appealed to BOE, where the land value was reduced to \$556,260. Appellants were unsure how the BOE's reduced value was derived.

Appellants offered information concerning lakefront sales which occurred during 2014. Some of the lakefront lots on Priest Lake are owned by the State of Idaho and are leased to lessees who are permitted to build residential and other improvements on the lots. In August 2014, the State held an auction involving 60 of these leased lots. An independent fee appraisal of each lot's value was commissioned. The appraisals included a topography rating for each lot which was used in the analysis to determine values. The topography rating considered the distance between the shoreline and building site, the distance between the access road and the building site, shoreline qualities, and lake depth qualities. Topography ratings for the auction lots ranged from 7 to 16, with 16 representing

the highest valued parcels. The appraisals' conclusions were used to set the minimum bid price at the auction. In each instance the minimum bid price was the same as the final sale price.

Appellants noted subject's appraisal rated the lot an 11 out of 16 on topography, which reduced the value of the lot by 13%. Subject's lot was rated "average" by Respondent which reduced the subject lot by 7%. Appellants noted the appraisal adjustments for front footage and topography were very different between the fee appraisal and Respondent's analysis.

Appellants provided excerpts from a Residential Appraisal Report. The record was left open to allow for the full copy of the fee appraisal to be submitted. The fee appraisal, dated August 2013, was provided post-hearing. Subject's appraisal considered eighteen (18) sales of waterfront properties which sold between 2005 and 2013. Sale prices were between \$229,000 and \$979,000, or from \$1,908 to \$8,080 per front foot. This appraisal concluded a value of \$380,000, or \$2,517 per front foot for the subject land. Respondent pointed out the appraisal was dated more than three (3) years ago, and since that time twenty-nine (29) waterfront sales on Priest Lake had been validated. It was further noted the sales used in the appraisal took place from 2007 to 2012, along with two (2) 2013 sales. In Respondent's opinion these sales did not reflect the current market.

Respondent explained the entire lakefront was analyzed and reappraised for the 2016 tax year. Respondent developed a matrix which accounted for the different land characteristics of each lot. Respondent found the two (2) characteristics which have the

greatest effect on value were beach type and lot topography. As a result of the study, each lot was analyzed based on these two (2) characteristics and given an overall site rating which correlated with a value derived from sales of similar type lots. Subject's lot was given a site rating of "average."

Respondent provided additional information concerning five (5) 2015 waterfront sales of Priest Lake parcels to compare with subject. Three (3) of the sales were rated "good", one (1) was rated "average", and the remaining was rated "fair." One (1) of the sales was a vacant parcel, which consisted of 50 waterfront feet and sold for \$224,500, or \$4,490 per front foot. The remaining sales involved improved parcels which ranged in frontage between 50 and 76 front feet. Sale prices ranged from \$347,625 to \$600,000. After extracting assessed values of the associated improvements, Respondent calculated land value residuals between \$228,080 and \$512,200, or from \$3,258 to \$8,537 per front foot. Subject contains 151 front feet. Based on all the sales and subject's site rating, Respondent determined to use a value rate of \$4,248 per front foot for subject.

Respondent argued the auction sales were invalid and therefore should not be used to set land values. It was explained the auction took place because the State of Idaho was under compulsion to sell the lots to fulfill its obligation to the endowment fund, and the lessees were the purchasers of the auction lots. Respondent stated the purchasers had atypical motivation to own the land under their improvements.

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. There are three (3) approaches to value, the sales comparison approach, the cost approach, and the income approach.

Appellants argued subject’s lot assessment should have more reduction for its topography and location, as was done in the independent appraisal. We found both parties’ sufficiently analyzed the topography, just in different ways. Overall, the Board favored Respondent’s consideration of subject’s topography because it was supported by more recent sales information. Appellants did not demonstrate error in Respondent’s approach nor sufficiently prove a different approach should have been used.

Appellants contend the subject land value should match the price paid at auction, while Respondent found the auction sales invalid and argued they should not be used to

set land values. It was explained the auction took place because the State of Idaho was under compulsion to sell the lots, and the lessees were the purchasers of the auction lots. In the Board's view, there are questions as to whether these auction sales fully satisfy the definition of market value. As a result, minimal weight was given to the auction sales information.

Respondent provided five (5) lakefront sales located on Priest Lake which transpired in 2015. One (1) of the sales was a vacant parcel, and the remaining were improved properties. Respondent extracted the values of the improvements to determine front foot values ranging between \$3,258 and \$8,537. This recent sales information was well received by the Board. Subject's land value fell toward the middle of this price information.

In appeals to this Board, pursuant to Idaho Code § 63-51, the burden is with the Appellant to establish Respondent's valuation is erroneous by a preponderance of the evidence. The burden of proof was not satisfied in this instance. Appellants provided a great deal of evidence, however, we found most of the sales information to be stale, and therefore, not as meaningful to the question of current market. Respondent provided abundant current sales data to support subject's assessed value. Looking at all the sales in record, including the sales in Appellants' appraisal, we found the majority of the valid sales had price rates above \$4,000 per front foot. The subject lot is assessed at \$4,248 per front foot, which appears reasonable and supported given the recent sales information. We do not find sufficient evidence to disturb the assessed value.

Based on the above, the decision of the Bonner County Board of Equalization is affirmed.

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, AFFIRMED.

DATED this 23rd day of January, 2017.