

BEFORE THE IDAHO BOARD OF TAX APPEALS

JOHN BRUMLEY,	)	
	)	
Appellant,	)	APPEAL NO. 16-A-1019
	)	
v.	)	FINAL DECISION
	)	AND ORDER
BONNER COUNTY,	)	
	)	
Respondent.	)	
	)	
_____	)	

BONNER COUNTY ASSESSOR,	)	
	)	
Appellant,	)	APPEAL NO. 16-A-1031
	)	
v.	)	FINAL DECISION
	)	AND ORDER
JOHN BRUMLEY,	)	
	)	
Respondent.	)	
	)	
_____	)	

**RESIDENTIAL PROPERTY APPEAL**

These appeals are 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. RP059620010040A. The appeals concern the 2016 tax year.

These matters came on for hearing September 19, 2016 in Sandpoint, Idaho before Board Member Linda Pike. Taxpayer John Brumley was self-represented. Bonner County was represented by Manager Bonnie Berscheid.

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

**The issue in these appeals concern the market value of an improved residential property.**

**The decision of the Bonner County Board of Equalization is affirmed.**

## FINDINGS OF FACT

For purposes of this decision, Mr. Brumley will hereinafter be referred to as Taxpayer, and Bonner County as Assessor.

The original assessed land value was \$508,077, and the improvements' value was \$50,790, totaling \$558,867. The Bonner County Board of Equalization (BOE) reduced subject's land value to \$451,721, with no change to the improvements' value of \$50,790, resulting in a total value of \$502,511. Taxpayer contends subject's land value should be reduced to \$358,000, and the improvements' value adjusted to \$51,180, for a total value of \$409,180. Assessor argues the original assessed values should be reinstated.

The subject property is a 1.23 acre residential waterfront parcel with 176 front feet on the east side of Priest Lake. The property is improved with a main cabin, a small sleeping cabin, and some dock improvements. The beachfront was described as mostly rocky and the topography was characterized as steeply sloped. Taxpayer further noted there is no road access to the main cabin and the property as a whole is not accessible during winter months.

Taxpayer purchased the subject lot at a State-sponsored auction in August 2014 for \$345,000. Subject was one of many Priest Lake lots the State of Idaho put up for auction. Previously, the lots were leased to various lessees who were allowed to improve the sites. If a non-lessee purchased a lot, the associated improvements had to be purchased from the lessee. Minimum bid prices were determined according to independent fee appraisals of each auction lot, which in the case of subject, was \$345,000. Taxpayer was the lessee at the time of subject's purchase so did not have to pay anything

additional for the improvements.

Taxpayer offered three (3) independent appraisals of subject. The first appraisal was dated April 30, 2013 and valued only subject's land. The appraisal valued subject under the hypothetical condition the lot was vacant and unimproved, absent all structures, utilities, driveways, retaining walls, beach improvements, or any other improvements which might contribute value. The appraisal considered information related to five (5) lakefront sales and four (4) listings. The sales occurred between 2007 and 2012, with sale prices ranging from \$345,000 to \$865,000, or from roughly \$4,200 to \$6,800 per front foot. After adjustments for improvements, date of sale, topography, waterfront, and other factors, adjusted sale prices were between approximately \$1,577 and \$2,047 per front foot. The appraisal concluded a value of \$1,850 per front foot, or \$280,000, for subject.

The next appraisal, performed by a different appraiser, valued subject as of August 17, 2013. The appraisal compared subject to three (3) improved waterfront sales deemed most similar. Two (2) of the properties sold in 2012, both selling for \$530,000. The other property sold in 2013 for \$629,000. After making adjustments to the sales for differences compared to subject, adjusted sale prices ranged from approximately \$461,000 to \$513,000. A total value of \$465,000 was concluded for subject, with \$360,000 attributable to the land and the remainder to the improvements.

The final appraisal was used to determine subject's minimum bid price at the August 2014 auction. Similar to the first appraisal referenced above, this appraisal valued subject's land as if it were vacant and unimproved. All site improvements were included in the separately determined improvements' value, which totaled \$115,000. The appraisal

considered information concerning two (2) improved sales from 2011, one (1) pending sale, and one (1) listing from 2014. The compared properties all had notably fewer front feet on the lake, though the associated cabin improvements were generally similar to subject. The two (2) closed sales had sale prices of \$530,000 and \$550,000. After making adjustments, adjusted sale prices were \$429,297 and \$438,785, respectively. The appraisal determined a value of \$345,000 for subject's raw land and \$115,000 for the improvements.

Assessor disagreed with the value conclusions reached in the three (3) fee appraisals; particularly the most recent appraisal. Assessor noted while the appraisal considered many of the same sales as Assessor, large and inconsistent adjustments were made to the sales. Such large adjustments were argued to undermine the reliability of the final value conclusion.

Taxpayer argued the price paid at the State-sponsored auction represented the best evidence of subject's market value and petitioned subject's land value be reduced accordingly. Taxpayer contended the auction was voluntary and the State was required by law to obtain the highest price possible for each auction lot. Assessor maintained the auction sales should not be considered because the government was a party in the transactions. Assessor pointed to several appraisal sources which stated sales involving a government entity are generally considered invalid for purposes of determining market value. It was further noted buyers were required to submit a \$50,000 cashier's check to register to bid, and if a non-lessee purchased a lot, the buyer would also have to pay the lessee for the attached improvements on the same day. In Assessor's view, the various barriers limited the number of potential buyers and the overall transactions did not comport

to recognized market value standards.

Assessor detailed how subject's assessed value was determined. More than thirty (30) Priest Lake sales from 2013 to 2015 were studied. This information helped Assessor identify four (4) distinct market areas around the lake, as well as, determine the base values for the different site ratings assigned to each lakefront parcel. The site ratings focused on the two (2) characteristics Assessor found to have the greatest impact on market value; beach type and lot topography. Due to subject's steep slope and rocky beachfront, a site rating of "Fair" was assigned, which represented the lowest rating category on the main lake. The same land matrix was applied to each parcel around the lake.

Focusing on subject's value, Assessor offered information concerning two (2) sales from subject's market area. The first involved an improved lot with 75 front feet on the lake. The property was noted to be superior, with a site rating of "Good", and sold in October 2015 for \$595,000. After removing improvement values, a residual land value of \$459,960, or \$6,133 per front foot was calculated. The other sale closed in May 2015. This parcel shared the same "Fair" site rating as subject and enjoyed 100 front feet on the lake. The property sold for \$389,000, with a residual land value of \$304,700, or \$3,047 per front foot. Assessor valued subject's 176 front feet at \$495,077, or \$2,813 per front foot.

Assessor also contested the BOE's decision to change the method of measuring subject's water frontage from the meandering shoreline measurement, to a pin-to-pin measurement. It was explained, Assessor's policy is to use the shoreline measurement unless a parcel's recorded deed indicated a different measurement. For parcels with both

meandering shoreline and pin-to-pin measurements, the policy is to use the meandering shoreline measurement. The BOE's decision to change the method of measurement was argued to create two (2) groups of property within the same class in violation of the Idaho Constitution. Further, Assessor pointed out by utilizing Assessor's value rates, which were developed using meandering shoreline measurements, and to apply them to pin-to-pin measurements could greatly skew the outcome.

Toward the interests of consistency and fairness, Taxpayer contended pin-to-pin measurements should be used for all lakefront parcels because not all deeds include meandering shoreline measurements.

#### 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 cost approach, and the income approach. *Merris v. Ada County*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). The sales comparison approach, which normally considers the price information from multiple recent sales of similar property, is often used to value residential property.

Both parties offered information relevant to the sales comparison approach. Taxpayer provided three (3) appraisals performed by different appraisers; two (2) from 2013 and one (1) from 2014. The Board appreciated the appraisal information, however, there were some concerns with each. Both of the 2013 appraisals are several years old and relied on sales stretching back nearly ten (10) years. In the Board's experience, it is difficult to use such old sales data to develop a current opinion of market value. Today's market bears little resemblance to the market a decade ago. As a result, little weight was afforded the 2013 appraisals. The most recent appraisal, on the other hand, was regarded more favorably by the Board. There were, however, some issues of comparability between the subject and the sales. Each sale price was reduced by at least \$63,000, which suggested all the sale properties were superior to subject. Further, all the sales were located on the other side of the lake from subject, which Assessor demonstrated was a distinct market area. That being said, the sales data was generally more recent than contained in Taxpayer's other appraisals, and the Board did give some consideration to this more timely information.

Taxpayer's primary argument was subject's assessed value should match the price paid at auction in August 2014. We disagree. While the recent purchase of a parcel can

provide a good indication of its current market value, relying on a single sale which is an auction sale, is generally not considered good appraisal practice.

As noted above, typically, a thorough sales comparison analysis involves the consideration of multiple sales of similar property. "In any single individual transaction there are many variables which are dependent upon the peculiar aspects of the transfer and which affect the price agreed upon by the parties. Market value, therefore, is generally established by numerous sales of the same or comparable property and, although the price paid for property may be admissible to prove its market value, that fact alone is not conclusive." *Gillingham v. Stadler*, 93 Idaho 874, 878, 477 P.2d 497, 504 (1970). A broader consideration of the market helps mitigate the effects of atypical factors or motivations which may exist in any particular transaction. Such was the case with the 2014 auction. The auction process included some restrictive barriers and did not allow a reasonable time to consummate the sale, which is a critical element of market value as defined in Idaho Code § 63-201, cited above. Further, subject's purchase was in 2014 and Taxpayer's value request here does not consider changes in the market since that time. As a result, the Board was not persuaded to rely on this single data point as a basis for adjusting subject's value.

By contrast, the Board found Assessor's value analysis better supported. Consideration was given to subject's unique physical characteristics, which is evident in subject being assigned to the lowest site rating group on the main lake. Further, Assessor's sales involved properties situated in subject's same market area. And multiple sales were recent, having occurred in 2015. On a per-front-foot basis, subject was valued

less than the sales offered by Assessor, which further evidences subject's assessed value is not overstated. Overall, the Board found Assessor's value position represented a more complete consideration of the broader market generally, and the subject property specifically.

We now address subject's proper waterfront measurement. Assessor explained its policy is to use the meandering shoreline measurement when such is indicated on the deed, and pin-to-pin when the meandering line measurement is not indicated. Assessor argued the BOE's decision to change the method of measurement for subject's frontage from meandering shoreline to pin-to-pin was unconstitutional because it created two (2) groups within the same property class.

While we understand Assessor's argument, it is fundamentally flawed because by Assessor's own admission some parcels on the lake are currently valued using the pin-to-pin measurement and others using the meandering shoreline. In other words, the BOE did not create two (2) distinct groups of property because such was already the case. Whether the meandering shoreline or pin-to-pin measurement should be used is not necessary for this Board to decide. Rather, we are tasked with determining whether Assessor's ultimate value position was proven by a preponderance of the evidence. Idaho Code 63-511. In this case, we do not find the burden of proof satisfied because Assessor already uses different methods of frontage measurement for different parcels around the lake.

In similar fashion, the Board did not find Taxpayer demonstrated by a preponderance of the evidence subject's value, as determined by the BOE, was erroneous. Assessor's analysis was judged to be reasonably thorough and well supported. Subject

land assessment rate was somewhat less per front foot than the direct comparable sales and the Board did not find adequate support for a further reduction.

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 23<sup>rd</sup> day of January, 2017.