

BEFORE THE IDAHO BOARD OF TAX APPEALS

JOSH BURROWS,	)	
	)	
Appellant,	)	APPEAL NO. 16-A-1041
	)	
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. RP059650020040A. The appeal concerns the 2016 tax year.

This matter came on for hearing October 6, 2016 in Sandpoint, Idaho before Board Member Linda Pike. Attorney Ford Elsaesser represented Appellant at hearing. 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 \$822,346, and the combined value of the improvements is \$80,420, totaling \$902,766. Appellant agrees with the improvement values, however, contends the correct land value is \$590,000.

The subject property is a 2.01 acre parcel with 184 feet of waterfront on the east side of Priest Lake. The parcel was described as relatively level with a large sandy beachfront. The lot is improved with a cabin, a couple outbuildings, and some boat dock improvements.

Appellant noted subject's 3.5 mile gravel access road was not traversable during the winter months.

Appellant detailed some recent history of Priest Lake generally, and subject specifically. Prior to its purchase at auction in 2014 for \$615,000, the subject lot was owned by the State of Idaho and leased to Appellant. The same was true for many parcels on the east side of the lake. The State allowed lessees to improve the lots with cabins, docks, and other residential or recreational improvements. In 2014, the State sponsored an auction involving dozens of leasehold parcels. An independent appraisal was obtained for each auction lot. Minimum bid prices at the auction were set to match the individual appraisal values. Subject's purchase price was the same as the land value conclusion reached in its appraisal.

Appellant contended subject's assessed land value should be the same as the price paid at auction. Appellant noted the Idaho Department of Lands had a constitutional duty to obtain the highest price possible for each auction lot. As such, Appellant reasoned subject's purchase price was market value. Respondent raised some concerns with the auction process and argued the auction prices should not be used to value subject. First, Respondent pointed to several appraisal sources which stated government sales are generally presumed invalid and should not be used. Respondent also questioned the motivation of the purchasers, whom Respondent contended were specially motivated to purchase the lot under their cabins. It was further noted potential buyers had to deposit a \$50,000 cashier's check in order to bid, and in the event a non-lessee purchased a lot, the attached improvements would also have to be purchased from the owner. Respondent also highlighted the rather large and inconsistent adjustments used in the appraisals as a basis for disregarding the appraisals.

Appellant also provided some information comparing land and improvement values determined by Respondent to the values determined by the appraisals. In each highlighted instance, Respondent's land value was higher than the respective appraisal values. Respondent pointed out its improvement values were below the improvement values determined by the appraisals, and further noted the total value conclusions in the appraisals closely mirrored the respective total assessed values. Appellant did not offer subject's complete appraisal, however, did provide an excerpt focused on the land value conclusion. Appellant argued because only the land value was challenged, improvement values, and total values, were irrelevant in this case.

Appellant additionally submitted an independent appraisal of an improved parcel located near subject. The appraisal considered information concerning three (3) sales and one (1) listing. Sale prices ranged from \$860,000 to \$1,200,000. After making appraisal adjustments to the sales for differences compared to subject, the appraisal found adjusted sale prices between \$944,900 and \$1,098,235. The appraisal estimated a land value between \$475,000 and \$500,000. Respondent highlighted Sale Nos. 2 and 3 were located 45 and 70 miles away, respectively, and further, Sale No. 3 concerned a property situated on the Clark Fork River, not Priest Lake.

Respondent explained a land matrix was developed for Priest Lake for the 2016 tax year. The matrix considered information related to thirty (30) sales which occurred between 2013 and 2015. These sales were used to identify four (4) distinct market areas around the lake. Respondent also developed site ratings for each lakefront parcel based on the lot's particular beachfront and topography. Due to subject's large sandy beachfront and level topography,

Respondent assigned a site rating of "Good", which was the highest rating group.

After determining subject's site rating and associated base value rate, Respondent relied on two (2) sales from subject's market area to conclude a land value. The first sale property had the same "Good" site rating as subject. The lot had 75 front feet on the lake and sold in October 2015 for \$595,000. After removing improvement values, Respondent calculated a residual raw land value of \$459,960, or \$6,133 per front foot. The other sale concerned a "Fair" parcel, which was noted to be two (2) grades below subject. The lot included 100 front feet, as well as some residential improvements. The property sold in May 2015 for \$389,000. Respondent calculated a residual raw land value of \$304,700, or \$3,047 per square foot. Subject's 184 front feet were assessed at \$4,399 per front foot.

Appellant challenged the comparability of Respondent's two (2) sales from 2015. Both were noted to be located in the Diamond Park subdivision, located roughly 5.5 miles north of subject. Appellant explained parcels in Diamond Park have year-round road access, whereas subject is not accessible during winter months. It was also mentioned Diamond Park properties have year-round water compared to subject which does not have water during the winter because the pipes drawing water from the lake become exposed and frozen during the cold months. Respondent countered difficult access and water issues are typical for lots on the east side of the lake, and maintained there was insufficient market data to support value adjustments for these common factors.

#### 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 sales comparison approach, the income approach, and the cost approach represent the three (3) primary methods for determining market value. *Merris v. Ada County*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). Residential property is commonly valued using the sales comparison approach.

In addition to subject's purchase at auction in 2014, Appellant provided several sales and sources of information for the Board's consideration. Some of this data centered on comparisons between assessed land and improvement values, and values extracted from the respective fee appraisals. The analysis revealed Respondent's land values were consistently higher than those concluded by the appraisals and improvement values were lower. Respondent noted its total value conclusions were remarkably similar to those determined by the appraisals. Though the comparative information was interesting, it did little to help Appellant's cause. None of the comparisons involved the subject property. Nor was it clear how the information related to subject's value, other than to highlight the fact different appraisers can arrive at different value conclusions.

The Board was similarly not persuaded by the fee appraisal dated September 27, 2013. To begin, the appraisal did not value subject, but rather a property located in subject's area. Appellant did not compare subject to the property in the appraisal nor demonstrate how the appraisal otherwise correlated to subject's value. Further, there were concerns with some of the properties included in the appraisal. Two (2) of the sales were located over 40 miles away, one (1) of which involved a property located on the Clark Fork river, yet location adjustments were not made. Overall, the appraisal was found to offer little probative value related to subject's current market value.

Appellant's primary argument centered on subject's purchase at auction. Appellant maintained the price paid was market value because such price was the result of an independent fee appraisal. Respondent contended the auction sales should not be considered because the transactions involved a government entity. We agree, sales involving government entities are generally considered invalid for purposes of determining market value, though exceptions exist. Even if there were no concerns with government sales, the Board would still be hesitant to rely too heavily on subject's purchase at auction because a thorough sales comparison analysis considers information from numerous sales of similar type property, not just a single sale. "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).

Respondent's value position was the result of a recent market study of Priest Lake, which identified distinct market areas around the lake, and also helped determine site ratings for each lot. Numerous sales were used to establish base valuation rates to which adjustments were applied. In subject's case, Respondent used two (2) sales to support the adjusted rate applied to subject's frontage. The sale property with the same "Good" site rating as subject, sold for \$595,000, or \$6,133 per front foot after extracting improvement values. Subject was valued at \$4,399 per front foot.

Appellant challenged the comparability of the sales offered by Respondent. According to Appellant, the sale properties enjoyed year-round road access and water, whereas subject did not. Respondent noted such challenges were common around the lake. While the Board appreciates Appellant's concerns, there are usually some differences between properties when they are compared. This is precisely why appraisal adjustments are made; so sale properties can be compared to the property being valued on a like-basis. Details concerning Respondent's specific adjustments were not shared, however, it is evident consideration was given subject's particular circumstances because the lot was assessed roughly \$1,700 per front foot less than the most comparable sale offered by Respondent.

In appeals to this Board, pursuant to Idaho Code § 63-511, the burden of proof is with the Appellant to establish Respondent's valuation is erroneous by a preponderance of the evidence. Though Appellant provided some relevant market information, Respondent's value evidence was judged to be more thorough and better supported. Appellant's direct value evidence consisted only of subject's purchase at a government-sponsored auction and an excerpt from a fee appraisal which estimated a value of \$615,000 for subject's land. As noted earlier, the Board

was reluctant to rely heavily on a single auction sale, even though it involved the subject property.

Further, the Board was concerned only a portion of the fee appraisal was offered. According to Respondent, and some of the other information provided by Appellant, the appraisals of the auction lots generally concluded similar total values to those determined by Respondent. Appellant argued total value was not important because only subject's land value was appealed. We disagree. Appealing an assessment to this Board necessarily brings the entire assessment under the Board's review. Market value for purposes of assessment is understood to refer to the market value of the entire parcel. An assessment notice may indicate separate land and improvement values, however, it is the total value of the property which is taxable. And in this case, the Board found subject's total assessed value fair and reasonable given the evidence presented.

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 30<sup>th</sup> day of January, 2017.

