

BEFORE THE IDAHO BOARD OF TAX APPEALS

MATTHEW AND PAULA ALICE, )  
 )  
 Appellant, ) APPEAL NO. 16-A-1038  
 )  
 v. ) FINAL DECISION  
 ) AND ORDER  
 BONNER COUNTY, )  
 )  
 Respondent. )  
 )  
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BONNER COUNTY ASSESSOR. )  
 )  
 Appellant, ) APPEAL NO. 16-A-1037  
 )  
 v. ) FINAL DECISION  
 ) AND ORDER  
 MATTHEW AND PAULA ALICE, )  
 )  
 Respondent. )  
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**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. RP059540010080A. The appeals concern the 2016 tax year.

These matters came on for hearing October 6, 2016 in Sandpoint, Idaho before Board Member Linda Pike. Attorney Ford Elsaesser represented Taxpayers Matthew and Paula Alice at hearing. Assessor Jerry Clemons represented Bonner County Assessor.

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

For purposes of this decision, Mr. and Mrs. Alice will hereinafter be referred to as Taxpayers, and Bonner County Assessor as Assessor.

The original assessed land value was \$824,468, and the combined improvements' value was \$27,500, totaling \$851,968. The Bonner County Board of Equalization (BOE) reduced subject's land value to \$619,247, with no changes to the improvement values, resulting in a total value of \$646,747. Taxpayers agree with the value assigned to the improvements, however, contend the correct land value is \$400,000, for a total value of \$427,500. Assessor argues the original assessed values should be reinstated.

The subject property is a .9 acre residential parcel situated on the east side of Priest Lake, near Cavanaugh Bay. The property is improved with a cabin, a small outbuilding, and some dock improvements. Subject's beachfront was described as rocky and brushy, and the topography was noted to be somewhat steep. Subject is connected to the Coolin sewer district, however, draws water from the lake. Taxpayers also noted subject is not accessible on a year-round basis because it is located a couple miles from the nearest main county road. Further, an access easement runs through the middle of subject, which Taxpayers estimated reduced the buildable area by roughly half.

Taxpayers purchased the subject lot at a State-sponsored auction in 2014 for \$400,000. 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 with cabins and other residential and recreational improvements. If a non-lessee purchased a lot at the auction, the associated improvements had to be purchased from the lessee. Minimum bid prices were

determined according to independent fee appraisals of each auction lot's value, which in the case of subject, was \$400,000. Taxpayers were the lessees at the time of subject's purchase, so did not have to pay anything additional for the improvements.

Taxpayers contended subject's assessed land value should be the same as the price paid at auction. Taxpayers noted the Idaho Department of Lands had a constitutional duty to obtain the highest price possible for each auction lot and argued such was the case with subject's purchase. Taxpayers therefore reasoned subject's purchase price was market value. Assessor raised concerns with the auction process and argued the auction prices should not be used to value subject. First, Assessor pointed to several appraisal sources which stated government sales are generally presumed invalid and should not be used for purposes of estimating market value. Assessor also questioned the motivation of the purchasers, whom Assessor 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. Assessor also highlighted the rather large and inconsistent adjustments used in the appraisals as another basis for disregarding the appraisals.

Taxpayers also provided some information comparing land and improvement values determined by Assessor to the values determined by the auction appraisals. In each highlighted instance, Assessor's land value was higher than the respective appraisal value. Assessor pointed out its improvement values were well below the improvement values determined in the appraisals, but noted the total value conclusions in the appraisals closely mirrored the respective total assessed values.

Taxpayers additionally submitted an independent fee appraisal of another parcel on the lake. The appraisal considered information concerning three (3) comparable 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. Assessor highlighted that Sale Nos. 2 and 3 were located 45 and 70 miles away, respectively. And further that Sale No. 3 concerned a property situated on the Clark Fork River, not Priest Lake.

Assessor explained a land matrix was developed for the reappraisal of Priest Lake for the 2016 tax year. The matrix considered information concerning thirty (30) non-auction sales which transpired between 2013 and 2015. These sales were used to identify four (4) distinct market areas around the lake. Assessor also developed site ratings for each lakefront parcel based on the lot's particular beachfront and topography. Due to subject's brushy and rocky beachfront and steep topography, Assessor assigned a site rating of "fair", which represented the lowest rating category for parcels on the main lake.

Assessor next provided information on five (5) sales from 2015 which were used to determine subject's assessed value. Three (3) of the sales involved superior "good" rated parcels. The lots ranged in frontage from 50 to 100 front feet. Sale prices were between \$347,625 and \$600,000, or indicated from \$4,490 to \$8,537 per front foot after removing improvement values. Sale No. 4 concerned an "average" lot with 76 front feet on the lake. The property sold for \$475,000, or an average price rate of \$5,028 per front foot for the land. The final sale involved a lot with the same "fair" site rating as subject. The lot contained 70 front feet

and sold for \$350,000, or \$3,258 per front foot after extracting the value attributed to the improvements.

Taxpayers questioned the comparability of the sale properties used by Assessor. Taxpayers contended not enough consideration was given for subject's lack of year-round access and the fact an access easement for adjacent and nearby property owners crosses through the middle of the subject lot. Assessor responded access to most of the sales was via secondary roadways, not main county roads. Assessor also highlighted at least two (2) of the sale properties had access easements crossing them, similar to subject.

Assessor also challenged the BOE's decision to change the method of measuring subject's water frontage from a 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 property class in violation of the Idaho Constitution. Further, Assessor pointed out by using Assessor's value rates, which were developed using meandering shoreline measurements, with pin-to-pin measurements, could greatly skew the final value conclusions.

Taxpayers argued the pin-to-pin measurement should be used in subject's case because the longer meandering shoreline measurement attributed premium value to three (3) rock outcroppings. The outcroppings were reportedly created by prior owners or lessees who were allowed to clear the beach of rocks and pile them in front of subject. Taxpayers noted current

regulations would not permit the rock outcroppings to be moved or otherwise altered. Subject's shoreline measures 149 front feet on a pin-to-pin basis, and 213 front feet using the meandering shoreline, which includes the outcroppings. The different measurements create a value difference of more than \$250,000. Taxpayers argued the rock outcroppings do not add such value, and suggested the outcroppings might actually diminish subject's value. Assessor maintained the meandering shoreline measurement was better because it more accurately captures the actual beachfront.

#### 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 cost approach, and the income 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 typically valued using the sales comparison approach.

Taxpayers provided several sources of information for the Board's consideration. The first was a comparison of assessed improvement and land values to improvement and land values determined by the auction appraisals. Taxpayers noted assessed land values were consistently higher than those determined by the appraisals. Assessor pointed out the same analysis revealed assessed improvement values were markedly lower than the improvement values reached in respective appraisals. On an overall basis, Assessor noted its assessed values were consistent with the total value conclusions contained in the appraisals, and further argued the total assessed value is the controlling issue. The Board agrees. The allocation of value between the improvements and the land is less important than the total or full market value conclusion for purposes of assessment and taxation. Indeed, it is the total taxable value of a property which is taxed, not the individual components that might be listed on the assessment notice. The same holds true in the marketplace, where buyers are typically more concerned with the total price of a property, not the land-to-building ratio.

The Board was similarly unpersuaded by the fee appraisal evidence that concerned a different lakefront property. Taxpayers did not directly compare this appraised property to subject, nor was it clear how the information otherwise related to the question of subject's current market value. As a result, little consideration was afforded the fee appraisal.

Taxpayers' primary argument that subject was over-assessed was based on the subject lot's purchase price at a 2014 government-sponsored auction. Taxpayers argued this auction price represented the best evidence of subject's current market value. We disagree. Generally, transactions involving government entities are excluded from a market value analysis. However, even if the government sale was not a concern, the Board would be reluctant to rely solely on

one (1) auction sale; particularly where numerous non-auction sales exist. “[M]arket value’ can not be established by a single arm's length transaction in which a unique property . . . is sold for cash . . . ‘market value’ becomes an important standard of measurement in the valuation of property only after there have been numerous sales or exchanges of similar property” *Janss Corp. v. Bd. of Equalization of Blaine Cnty.*, 93 Idaho 928, 931, 478 P.2d 878, 881 (1970). In the case at bar, the subject lot’s purchase price at auction appears to be an outlier compared to the sales information involving non-auction parcels which point to a higher market value. Further, the subject lot was purchased in 2014 and Taxpayers’ value request here does not consider changes in the market since that time.

Shifting to the shoreline measurement issue, Assessor argued the BOE’s decision to change the method of measurement from meandering shoreline to pin-to-pin was improper because it created separate groups of property within the same property class. Assessor explained its policy is to use the meandering shoreline measurement unless the recorded deed indicates otherwise, and for deeds which include both measurements, the meandering shoreline measurement is used. Taxpayers suggested a pin-to-pin measurement was better because it reflects a legal boundary line.

Whether the pin-to-pin or the meandering shoreline method of measurement should always be used is not for this Board to decide. The issue before us is whether the BOE erred in its decision to measure subject’s water frontage on a pin-to-pin basis. Based on the record before us, we find no such error here. Assessor’s waterfront measurement policy, while consistently applied, is itself inherently inconsistent because some waterfronts are measured on a pin-to-pin basis and others on the meandering shoreline. The BOE’s decision to value subject

based on the pin-to-pin measurement did not create two (2) separate groups within the same class of property because such was already the case under Assessor's policy. As such, the Board did not find sufficient cause to disrupt the BOE's value decision that rested on this issue.

Idaho Code § 63-511 places the burden of proving error in subject's assessed value by a preponderance of the evidence on the party bringing an appeal before this Board. We did not find this burden satisfied by either party. Subject's value as determined by the BOE was supported by a consideration of multiple recent sales of similar property. Taxpayer's primary argument centered on subject lot's purchase at auction a couple years ago, which in the Board's view was insufficient to overcome Assessor's valuation analysis. Likewise, Assessor did not sufficiently demonstrate the BOE had legally erred in using the pin-to-pin method to measure subject's frontage, because Assessor already measures some parcels on the same basis.

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 16<sup>th</sup> day of February, 2017.