

BEFORE THE IDAHO BOARD OF TAX APPEALS

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| JOSHUA DAWLEY, |) | |
| |) | |
| Appellant, |) | APPEAL NO. 16-A-1014 |
| |) | |
| v. |) | FINAL DECISION |
| |) | AND ORDER |
| BONNER COUNTY ASSESSOR, |) | |
| |) | |
| Respondent. |) | |
| _____ |) | |

| | | |
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| BONNER COUNTY ASSESSOR, |) | |
| |) | |
| Appellant, |) | APPEAL NO. 16-A-1025 |
| |) | |
| v. |) | FINAL DECISION |
| |) | AND ORDER |
| JOSHUA DAWLEY |) | |
| |) | |
| 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. RP059720010010A. The appeals concern the 2016 tax year.

These matters came on for hearing October, 7 2016 in Sandpoint, Idaho before Board Member Linda Pike. Joshua Dawley was self-represented. 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 modified.

FINDINGS OF FACT

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

The original assessed land value was \$576,660, and the combined value of the improvements was \$135,600, totaling \$712,260. Taxpayer contends the correct land value is \$423,000, and the value of the improvements is \$140,050, totaling \$563,050, which represents the same value determined by the Bonner County Board of Equalization (BOE). Assessor argues the proper land value is \$519,462¹, and the combined improvements' value is \$135,600, or a total value of \$655,062.

The subject property is a 1.71 acre residential parcel situated on the east shore of Priest Lake. The parcel is improved with a 1,740 square foot cabin, a detached garage, a boat house, and some dock improvements. The lot's topography was described as steeply sloped and the beachfront as rocky and brushy. The steep topography and current setback regulations were noted to limit potential building sites on the property.

The subject lot was purchased in August 2014 for \$410,000 at a State-sponsored auction. Prior to purchase, Taxpayer occupied subject as a leaseholder, which was common with many Priest Lake lots. Lessees were allowed to improve the leased lots with cabins, outbuildings, and other recreational and residential improvements. Subject was one (1) of many leasehold lots included in the 2014 auction. Minimum bid prices were determined by independent fee appraisals of each auction lot. Subject's purchase price matched the land value conclusion reached in the fee appraisal.

¹During the hearing, Assessor requested subject's lot grade be downgraded from "average" to "fair", resulting in a lower land value than reflected on the notice of appeal (\$519,462 vs. \$576,660).

Taxpayer explained the State was obligated to obtain the highest prices possible for the auction lots. It was noted the auction was well-advertised and the appraisals were performed by competent fee appraisers. In Taxpayer's view, the auction price represented the best evidence of subject's land value.

Assessor outlined several concerns with the auction and argued the auction sales should not be considered in determining subject's market value. Assessor pointed to several appraisal sources which consistently took the position sales involving government entities were generally considered invalid for purposes of estimating market value. It was further noted, bidders were required to deposit a \$50,000 cashier's check before being eligible to bid at the auction. And in the event a non-lessee purchased an auction lot, the associated improvements would also have to be purchased from the prior lessee. Assessor also contended the buyers were highly motivated to purchase the land under their cabins. Assessor additionally expressed concern with the rather large adjustments made to the sale properties included in subject's fee appraisal, which were noted to range from -69% to -17%.

Taxpayer referenced a couple lots in subject's area offered at the auction, which did not sell. According to Taxpayer, a neighboring lot which was improved with roughly \$100,000 in improvements did not sell. In an effort to sell the property, the owner offered to sell the improvements for \$10,000 to anyone who purchased the lot. Taxpayer reported the property eventually did sell at the reduced price. The other referenced lot sold at auction for \$475,000, however, was assessed for more than \$700,000. Taxpayer noted many of the auction lots were assessed higher than their respective auction prices, and suggested there was a pattern of over-assessment associated with the auction lots.

Assessor detailed the process used to derive subject's original lot value. Relying on data from more than thirty (30) sales, Assessor developed a land matrix for Priest Lake. The matrix identified four (4) distinct market areas around the lake. Site ratings for each lot were also determined based on lot topography and type of beachfront. From this, base front foot valuation rates were developed, to which individual adjustments were made to account for the particular characteristics of each lot. The subject lot was originally assigned a site rating of 'average', however, at hearing Assessor found subject's site rating should be downgraded to 'fair', which was noted to represent the lowest rating category on the main lake. This site rating category resulted in a reduction of subject's land value from \$576,660 to \$519,462. Assessor petitioned the lower value be adopted.

Assessor took particular issue with the Bonner County Board of Equalization's (BOE's) decision to change the method of measuring subject's shoreline from a meandering shoreline measurement to a pin-to-pin measurement; the result of which reduced subject's frontage from 181 front feet to 148 front feet. Assessor explained its policy is to measure frontage on a meandering shoreline basis unless the recorded survey indicates a different measurement. In cases where both measurements are indicated, Assessor uses the meandering shoreline measurement. In Assessor's view, the meandering shoreline measurement more accurately captures a parcel's actual beachfront and was thus more appropriate to use than the pin-to-pin measurement. It was argued the BOE's decision effectively created two (2) groups of property within the same property class in violation of the Idaho Constitution. Taxpayer countered the pin-to-pin measurement was better because it identifies the legal boundaries of a parcel.

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. *Merris v. Ada County*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). Residential property is commonly valued using the sales comparison approach.

Taxpayer offered several sources of information for the Board’s consideration. The primary market value evidence was the 2014 purchase of the subject lot at a government-sponsored auction for \$410,000. While the recent sale of the very property being valued can serve as a strong indicator of market value, reliance on a single sale is typically not regarded as best appraisal practice. “[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). The Board was further concerned with the

conditions surrounding the State-sponsored auction. Indeed, Taxpayer acknowledged being highly motivated to own the land under the improvements. As such, less weight was afforded the subject lot's auction purchase.

Regarding subject's fee appraisal, there were questions of comparability between subject and the sale properties included therein. Indeed, only one (1) sale in the appraisal was adjusted less than 29%, with 69% representing the largest level of adjustment. Of further concern was the bulk of the sales data was from 2010 and 2011, with a couple sales stretching back to 2007, yet no adjustments were made to account for current market conditions. It was also not clear how the appraisal adjusted for the various improvements situated on some of the sale properties. In all, the Board was unpersuaded subject's auction appraisal represented the best evidence of current market value.

Assessor's analysis and supporting market data was better received by the Board. Assessor explained the methodology used to determine subject's original land value. This consisted of some broader sales information from all over the lake, as well as, sales data focused more directly on subject and the immediate geo-economic area. During the hearing, Assessor agreed with Taxpayer subject's site rating should be reduced from "average" to "fair" due to the steep topography and restricted building site options. Assessor calculated a land value of \$519,462, or \$2,798 per front foot using the lower site rating and petitioned subject's land value be reduced accordingly. The Board agrees with downgrading subject's site rating and the corresponding front foot value rate, however, as discussed below, we do not accept the total land value conclusion.

Assessor's argument centered on the BOE's decision to change the method used to

measure subject's shoreline. Assessor claimed the BOE's decision created separate groups of property within the same property class. We disagree. By Assessor's own admission, some parcels on the lake are measured on a pin-to-pin basis and others on a meandering shoreline basis. Assessor's argument is fundamentally flawed; the BOE's decision did not create separate groups of property within the same property class because such was already the case with Assessor's own shoreline measurement policy. Whether waterfront parcels should be measured on a meandering shoreline or a pin-to-pin basis is not necessary for this Board to decide. Rather, we are tasked with determining whether Assessor demonstrated error in the BOE's determination by a preponderance of the evidence. Idaho Code § 63-511. For the reasons above, we did not find the burden of proof satisfied in this instance.

The Board did, however, find a reduction in subject's land value is appropriate based on reducing the site rating to "fair". Applying Assessor's rate of \$2,798 to subject's 148 front feet, results in a raw land value conclusion of \$414,104, to which \$13,000 will be added to account for subject's onsite improvements. The decision of the Bonner County Board of Equalization is modified accordingly.

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, MODIFIED to reflect a decrease in subject's total land value to \$427,104, with no change to the combined improvements' value of \$135,600, resulting in a total value of \$562,704.

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 Taxpayer.

Idaho Code § 63-3813 provides that under certain circumstances the above ordered value for the current tax year shall not be increased in the subsequent assessment year.

DATED this 6th day of March, 2017.