

BEFORE THE IDAHO BOARD OF TAX APPEALS

ROBERT DELSMAN,)	
)	
Appellant,)	APPEAL NO. 16-A-1066
)	
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. RP059670010040A. The appeal concerns the 2016 tax year.

This matter came on for hearing October 3, 2016 in Sandpoint, Idaho before Board Member Linda Pike. Appellant Robert Delsman was 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 \$676,336, the improvements' value is \$915,680, and other improvements' value is \$22,340, totaling \$1,614,356. Appellant contends the correct total value should be \$1,354,365, with \$438,768 attributable to the land valuation.

The subject property is a .75 acre parcel with 144 waterfront feet located on the east side of Priest Lake, in Huckleberry Bay. Subject is improved with a 4,740 square foot

residence and a boat dock.

In August 2014, Appellant purchased the subject lot in a State-sponsored auction for \$525,000. The auction involved State-owned lakefront cottage sites which had been leased to various lessees who were allowed to improve the land. An independent appraisal was obtained for each auction lot. Minimum bid prices at the auction were set to match the individual appraisal values. Appellant contended subject's assessed land value should be \$438,768. Appellant noted the Idaho Department of Lands had a constitutional duty to obtain the highest price possible for each auction lot. Appellant argued subjects' purchase price was therefore market value.

Respondent explained the auction process and argued the auction price should not be used to value subject. Respondent explained the purchasers 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 prior lessee.

Appellant provided two (2) independent fee appraisals. The first was the appraisal prepared for the auction. This appraisal considered eighteen (18) sales of waterfront properties which sold between 2005 and 2013. Sale prices were between \$229,000 and \$865,000, or from \$1,908 to \$8,080 per front foot. The appraisal concluded a value of \$525,000, or \$3,646 per front foot for the subject land. The total value conclusion exceeded \$2,000,000. 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 most the sales used in the appraisal took place from 2005 to 2012. In

Respondent's opinion these sales did not reflect the current market.

The second independent appraisal related to an improved parcel located near subject. The appraisal considered information concerning three (3) comparable sales and one (1) listing. The sales took place in 2012 and 2013. 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 concluded a land value of between \$475,000 and \$500,000, or a total value of \$1,045,000. Respondent noted the sales relied on in these appraisals were relatively old with some being located as far as 40 miles away.

Appellant further provided information comparing land to improvement ratios which showed Respondent's land value was higher than the land value concluded in the appraisal. Respondent explained subject's improvement value was lower than the value determined by the appraisal, and noted subject's total assessed value was lower than the fee appraisal's total concluded value. Appellant argued only the land value was being appealed and therefore evidence regarding the improvements' was not relevant in this case.

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 "good."

Respondent provided information concerning seven (7) waterfront sales of Priest Lake parcels to compare with subject. The sales took place between 2013 and 2015. Four (4) of the sales were rated “good”, one (1) was rated “average”, and the remaining two (2) were rated “fair.” Two (2) of the sales were vacant parcels. The first vacant parcel consisted of 140 waterfront feet and sold for \$465,000, or \$3,321 per front foot. The second vacant parcel contained 125 waterfront feet and sold for \$450,000, or \$3,600 per front foot. The remaining sales involved improved parcels which ranged in frontage between 75 and 165 front feet. Sale prices ranged from \$317,700 to \$1,200,000. After extracting the assessed values of the associated improvements, Respondent calculated land value residuals between \$304,700 and \$928,240, or from \$3,047 to \$6,133 per front foot. Based on all the sales and the subject lot site rating, Respondent determined to use a value rate of \$4,607 per front foot for subject’s land.

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 data regarding the sales comparison approach. Taxpayer provided two (2) appraisals, one (1) relating to the subject property and the second relating to a nearby property. The first appraisal had a land value conclusion for subject of \$525,000 as of August 21, 2013. This appraisal relied on sales which took place between 2005 through 2013. The second appraisal was dated September 27, 2013, and concluded a value of \$1,045,000 for the nearby property. The sales used in this appraisal took place in 2012 and 2013.

The Board appreciated the fee appraisal information, however, we find both appraisals are dated back in 2013 and relied on older sales information, some sales stretched as far back as 2005. In the Board's opinion, we do not find these represented the best evidence of subject's current market value. More current market data provided by Respondent demonstrates the market is substantially different than what it once was. As such, we afforded minimal weight to the older fee appraisals.

Appellant also argued subject's assessed value should match the price paid at auction in August 2014. We disagree. A recent purchase of a parcel can provide a good indication of its current market value, however, relying on a single sale is generally not considered good appraisal practice. A sales comparison analysis ideally 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). For this reason, we will not solely rely on the price paid at auction a few years back. Our analysis must give strong consideration to the more recent information available.

Appellant argued the Board should disregard the total assessed value because only subject's land value was appealed. The Board disagrees. Appealing an assessment to this Board necessarily means the entire property assessment is up for review. Market value for purposes of assessment refers to the market value of the entire parcel, not the individual components. Although the values are listed individually on the assessment notice, we must look at the total value of the property assessment being appealed.

The Board found Respondent's market analysis better supported. Consideration was given to subject's location and unique physical characteristics. Multiple sales of comparable properties occurred in 2014 and 2015, which in the Board's opinion provided adequate support for subject's total assessed value. The more recent sales demonstrated per-front-foot

values between \$3,047 and \$6,133 for properties ranging between “fair” and “good.” Subject was assessed roughly \$4,600 per front foot, which is comfortably within the range indicated by the sales.

In appeals to this Board, pursuant to Idaho Code § 63-511, the burden is with the Appellant to establish subject’s assessed value is erroneous by a preponderance of the evidence. In this case, Appellant has not met that burden. The Board found subject's total assessed value reasonable given the evidence presented. 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 16th day of February, 2017.