

BEFORE THE IDAHO BOARD OF TAX APPEALS

INDIAN CREEK HOLDINGS, LLC)	
)	
Appellant,)	APPEAL NO. 16-A-1040
)	
v.)	FINAL DECISION
)	AND ORDER
BONNER COUNTY ASSESSOR,)	
)	
Respondent.)	
_____)	
BONNER COUNTY ASSESSOR,)	
)	
Appellant,)	APPEAL NO. 16-A-1058
)	
v.)	FINAL DECISION
)	AND ORDER
INDIAN CREEK HOLDINGS, LLC)	
)	
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. RP059610010540A. The appeals concern the 2016 tax year.

These matters came on for hearing October 7, 2016 in Sandpoint, Idaho before Board Member Linda Pike. Attorney Ford Elsaesser represented Indian Creek Holdings, LLC 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, Indian Creek Holdings, LLC will hereinafter be referred to as Taxpayer, and Bonner County as Assessor.

The original assessed land value was \$736,090, and the combined value of the improvements was \$543,330, totaling \$1,279,420. The Bonner County Board of Equalization (BOE) reduced subject's land value to \$694,792, with no change to the \$543,330 value of the improvements, for a total value of \$1,238,122. Taxpayer agrees with the improvements' value, however, contends the correct land value is \$585,000, resulting in a total value of \$1,128,330. Assessor argues the original assessed values should be reinstated.

The subject property is a 1.86 acre residential parcel with 160 waterfront feet on the east shore of Priest Lake. The property is improved with a 4,647 square foot residence constructed in 2006. Other improvements include a detached garage, a couple smaller outbuildings, and some boat dock improvements. Subject's beachfront was described as open and sandy, and the lot's topography as relatively level. The property is located near one of the main parks on the east side of the lake, and Indian Creek runs along subject's eastern boundary.

Taxpayer detailed some recent history of Priest Lake generally, and subject specifically. Prior to its purchase at auction in 2015 for \$585,000, the subject lot was owned by the State of Idaho and leased to Taxpayer. 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 2015, 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.

Taxpayer contended subject's assessed land value should be the same as the price paid at auction. Taxpayer noted the Idaho Department of Lands had a constitutional duty to obtain the highest price possible for each auction lot. Taxpayer, therefore, reasoned subject's purchase price was market value.

Assessor raised some 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 to estimate market value. Assessor also questioned the motivation of the purchasers, whom Assessor contended were specially motivated to purchase the land 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. Assessor also highlighted the rather large and inconsistent adjustments used in the appraisals as further justification for disregarding the appraisals.

Taxpayer also provided some information comparing land and improvement values determined by Assessor to land and improvement values determined by the appraisals. In each highlighted instance, Assessor's land value was higher than the respective appraisal value. Respondent pointed out its assessed improvement values were well below the improvement values determined by the appraisals, and further noted the total value conclusions in the appraisals were similar to the respective total assessed values. Taxpayer argued because only subject's land value was being challenged, improvement values, and the resulting total value, was irrelevant in this case.

Taxpayer additionally offered portions of an independent fee appraisal of the subject property with a March 11, 2016 effective date of valuation. The appraisal considered information regarding five (5) sales of improved waterfront properties from 2015 and early 2016, and one (1) active listing. Each sale property was compared directly with subject and individual adjustments were made to account for physical differences between the sale properties and subject. Gross adjustments ranged from 17.32% to 41.59%, resulting in adjusted sale prices between \$1,370,505 and \$1,776,830. The appraisal concluded a total value of \$1,470,000 for subject. Taxpayer focused on the land value conclusion of \$585,000 and again stressed the improvement values should be disregarded.

Assessor questioned the comparability of the sales in the appraisal offered by Taxpayer. Sale Nos. 1 and 2 were located in a different market area on Priest Lake approximately 45 minutes away from subject. Sale Nos. 3, 4, and 5 were located on an entirely different lake in the county, which Assessor explained was a vastly different marketplace. In Assessor's view, little weight should be afforded the appraisal.

Assessor detailed how subject's original 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 base value rates 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 level topography and sandy beachfront, a site rating of "good" was assigned, which represented the highest rating category on the main lake.

Focusing on subject's value, Assessor offered information concerning two (2) improved

sales from subject's geo-economic area. Sale No. 1 was a "good" rated lot with 75 front feet on the lake. The property sold for \$595,000, or \$459,960 after removing the value of the associated improvements. The resulting price rate was \$6,133 per front foot. Sale No. 2 concerned a 100 front foot lot with a site rating of "fair" which sold for \$389,000. After extracting improvement values, the indicated land price was \$304,700, or \$3,047 per front foot. Subject's 160 front feet were assessed at roughly \$4,500 per front foot.

Assessor also contested 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 dictates use of 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 commented by utilizing Assessor's value rates, which were developed using meandering shoreline measurements, and applying them to pin-to-pin measurements could greatly skew the value outcomes. Subject's shoreline measures 160 front feet on a meandering shoreline basis, and the pin-to-pin measurement is 148 front feet. Taxpayer contended pin-to-pin measurements should be used around the lake because they reflect legal boundaries.

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 include 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 considers price information from multiple recent sales of similar property, is often used to value residential property.

The parties both provided relevant market value information for the Board’s consideration. Taxpayer’s primary evidence in this regard consisted of a comparison of assessed values to values determined by the appraisals for the auction lots; a fee appraisal of the subject property; and the subject lot’s purchase at auction in 2015. Regarding the assessed value comparison, such is not a recognized appraisal approach. Further, while the comparison demonstrated Assessor’s land values were higher than those concluded in the respective appraisals, the analysis also revealed Assessor’s total assessed values were similar to, or even less than, the total value conclusions reached in the auction appraisals. This is key because we are concerned here with subject’s total value, not the allocation of that total value between the land and improvements. It is the total value of a property which is taxable, not the individual components

listed on an assessment notice. Though the comparative information was interesting, it did little to advance 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 also concerned with some aspects of Taxpayer's fee appraisal of the subject property. Though the appraisal was dated beyond the controlling January 1, 2016 date of valuation, most of the sales information contained therein was timely. The sales used, however, had some serious questions of comparability to subject. Most notably, only two (2) of the five (5) sales were located on Priest Lake, and even these "local" sales were located approximately 45 minutes away, on a different area of the lake. The appraisal made no adjustments for the location factor. The appraisal was also viewed with caution because a complete copy of the report was not submitted, and the portion provided included some rather large adjustments to the sale properties. That being said, the appraisal concluded a total value of \$1,470,000, which the Board notes is higher than the \$1,238,122 total value determined by the BOE.

Taxpayer's chief argument centered on subject's purchase at auction. In Taxpayer's view, subject's assessed land value should match the auction price. We disagree. While the recent purchase of a parcel can provide a good indication of its current market value, relying on a single sale at a government-sponsored auction, is generally not considered good 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). Though subject’s purchase did weigh in the Board’s consideration, it did not weigh heavily because there were numerous other non-auction waterfront sales in the record pointing to a higher value than petitioned by Taxpayer.

Assessor’s value position was found better supported. The value was derived from a recent market study of the entire 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. The BOE valued subject using 148 front feet, at roughly \$4,700 per front foot.

We turn now 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 the legal boundary line.

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 meandering shoreline. Stated differently, 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 measurements should be used is not necessary for this Board to decide here. Rather, we are tasked with determining whether the BOE's decision to use subject's pin-to-pin shoreline measurement was proven by Assessor to be erroneous 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.

We likewise find Taxpayer failed to adequately demonstrate error in the value determined by the BOE. The only evidence pointing toward Taxpayer's requested value was subject's purchase price at auction. The other market information, including subject's own fee appraisal, all support the value set by the BOE. As such, we will affirm the decision of the Bonner County Board of Equalization.

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.