

BEFORE THE IDAHO BOARD OF TAX APPEALS

KOOTENAI COUNTY ASSESSOR,)	
)	
Appellant,)	APPEAL NO. 16-A-1070
)	
v.)	FINAL DECISION
)	AND ORDER
CHRISTOPHER CHEELEY,)	
)	
Respondent.)	
)	
_____)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Kootenai County Board of Equalization modifying the protest of valuation for taxing purposes of property described by Parcel No. 08246001002B. The appeal concerns the 2016 tax year.

This matter came on for hearing October 7, 2016 in Coeur d'Alene, Idaho before Hearing Officer Cindy Pollock. Assessor Mike McDowell represented Appellant. Respondent Christopher Cheeley was self-represented.

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 Kootenai County Board of Equalization is affirmed.

FINDINGS OF FACT

The original assessed land value was \$1,409,484, and the combined improvements' value was \$2,138,436, totaling \$3,547,920. The Board of Equalization (BOE) reduced the land value to \$959,484, and the combined value of the improvements to \$1,817,440¹, totaling \$2,776,924. At hearing, Appellant petitioned the value request on appeal be amended to \$1,409,484 for the

¹ In addition to the main residence, subject is improved with a guest house. The BOE's decision letter omitted the \$117,440 value attributable to the guest house, so that value is added here to reflect the correct total value of the improvements and the correct total property value.

land, and \$2,026,638 for the improvements, for a total value of \$3,436,122.

The subject property is a 9.675 acre parcel with 350 waterfront feet on the northern bank of the Spokane River near Post Falls, Idaho. The property is located in the Timber River 2nd Addition subdivision which is comprised of thirteen (13) estate-type lots, of which only two (2) remain undeveloped. The typical lot size in the development is roughly five (5) acres and about 200 linear feet of shoreline. The water depth was noted to be shallow in the area and suitable only for smaller watercraft. The property is improved with a 7,204 square foot multi-level residence constructed in 2003. Attached to the residence is a six (6) bay garage and extensive decking. The residence was noted to be high-end construction with many custom features. The property is further improved with a 994 square foot guest house with an attached two (2) car garage, a boathouse with upper floor living space, a small mechanical building, a swimming pool, and some dock improvements. The grounds were noted to be extensively landscaped and manicured.

The parties detailed some of subject's recent listing history. In June 2009, the property was listed for sale with an asking price of \$8,500,000. The asking price was reduced to \$5,900,000 in late 2012, and the property was re-listed again in early 2014 for \$3,999,000. Through foreclosure, the financing bank acquired subject and listed the property for sale in April 2014 at \$2,871,000. Respondent purchased subject in May of 2015 for \$2,300,000.

Appellant contended subject's 2015 purchase price should not be considered because the property was purchased from a bank and was therefore a distressed sale. As a general rule, Appellant does not consider distressed sales in developing market value conclusions and contended subject's purchase should be treated similarly here. Respondent countered the

property was well advertised for more than four (4) years at different price points, yet did not sell. It was argued if subject was worth more than its eventual purchase price, another buyer would have purchased the property at some prior point during its long listing history. In Respondent's view, the \$2,300,000 purchase price was the highest price the seller could obtain and represented the best indicator of subject's current value.

In support of the amended value request, Appellant offered information concerning five (5) improved sales and four (4) vacant land sales. Improved Sale No. 1 was a .709 acre parcel improved with a 6,249 square foot residence constructed in 2008. The property enjoys 269 front feet on the northern shore of Lake Coeur d'Alene. Appellant considered this property comparable to subject because the residence is uniquely designed to suit the particular tastes of the owner, similar to the subject residence when it was constructed. The property sold in December 2015 for \$3,050,000.

Improved Sale No. 2 concerned a 10.621 acre parcel situated on Lake Coeur d'Alene. The multi-level residence, with a gross living area of 4,586 square feet, was constructed in 2004 and includes four (4) bedrooms and three and one-half (3 ½) bathrooms. The property is further improved with a boat house and an auxiliary living unit. The property sold in October 2014 for \$5,350,000. Appellant believed this sale to represent the upper range of value for subject.

Improved Sale No. 3 transpired in November 2015 for \$2,175,000. Included in the sale was a .994 acre parcel, with 136 waterfront feet on the Spokane River, located roughly two (2) miles from the subject. While situated on the river, Appellant characterized the sale property's neighborhood to be inferior to subject's. Appellant noted the sale residence was approximately 2,000 square feet smaller than subject and there was no auxiliary living unit. Overall, Appellant

regarded this property as inferior to subject.

Improved Sale No. 4 was offered due to the overall similarities it shares with subject. The residence was constructed in 2008 and included roughly 1,300 more square feet than subject's residence. The property was regarded by Appellant as comparable in other key aspects. It was noted the sale property included an auxiliary living unit like subject and had 351 front feet on the Spokane River, enjoying a similar amount of frontage as subject. The 2.16 acre parcel sold in May 2015 for \$3,200,000.

Improved Sale No. 5 was described as one of the most desirable properties on the Spokane River. Appellant included this sale to demonstrate the upper range of subject's potential value. The lot was 3.38 acres in size with 423 front feet on the river. More than 12,000 square feet are included in the multi-level residence constructed in 2007. Though specifics were not shared, Appellant noted this sale included several parcels. The sale closed in September 2014 for \$6,025,000.

With the exception of Sale No. 5, which was regarded as highly superior to subject, Appellant directly compared the improved sale properties with subject. Appraisal adjustments were made to the respective sales for differences compared to subject, such as, lot size, time of sale, outbuildings, construction grade, square footage, and other notable physical differences. Gross adjustments ranged from 21.09% to 67.91%. The adjusted sale prices were between \$3,623,458 and \$6,163,977.

Similar to the improved sales, Appellant's vacant land sales were located on both the Spokane River and Lake Coeur d'Alene. Vacant Sale No. 1 involved two (2) parcels roughly five (5) acres in size. The lots are situated adjacent to subject and combined enjoy almost 420

waterfront feet on the river. The sale occurred in September 2012 for \$1,353,000. Vacant Sale Nos. 2 and 4 likewise involved two (2) vacant lots in each transaction. Parcel sizes totaled 11.51 and 1.47 acres, with frontages measuring 335 and 247 front feet, respectively. Vacant Sale No. 2 closed in April 2016 at \$2,200,000 and Vacant Sale No. 4 transpired in May 2015 for \$800,000. Vacant Sale No. 3 concerned a single .40 acre lot situated on Lake Coeur d'Alene. The parcel has 90 front feet on the lake and sold in October 2015 for \$970,000.

In preparing for this appeal, Appellant discovered an error in subject's property record dating back to 2007. Appellant explained a 10% downward adjustment is applied to residences with a high level of construction, like subject. In subject's case, the adjustment was not applied to all improvements, which Appellant stated was in error. Making this adjustment to the remaining improvements, Appellant calculated a reduction in subject's total value to \$3,436,122, with \$2,026,638 attributable to the improvements.

In addition to subject's purchase, Respondent offered information concerning four (4) improved sales which occurred during 2015. Sale No. 1 was a 12.6 acre parcel with 640 front feet on Hayden Lake. The 3,200 square foot sale residence was constructed in 1998. The property was also improved with a fully-appointed guest house and a bunk house capable of sleeping eight (8). After 458 days on the market, the property sold in August 2015 for \$1,995,000.

Sale No. 2 transpired in January 2015 for \$1,600,000. Though similar in square footage, the sale residence was considered superior to subject in age, construction quality, and condition. The property was .47 acres and located roughly .65 miles from subject with 89 waterfront feet on the Spokane River. Respondent pointed out the sale residence included many features

commonly found in higher-end homes, such as vaulted ceilings, a home gym, an elevator, a wet bar, and smart technology. Subject was noted to lack most of these features.

Sale No. 3 involved a .31 acre Spokane River lot located approximately .4 miles from subject with 74 front feet on the river. Though smaller than subject, the sale residence was regarded as superior in terms of construction quality, age, and condition. Respondent also highlighted some of the amenities subject lacks in comparison to this property, such as three (3) fireplaces, full wet bar, wine cellar, and technology features wired into the residence. The property sold, after 453 days on the market, in April 2015 for \$1,425,000.

The final sale property was a 4.3 acre lot improved with a residence generally similar to subject in size, age, quality, and condition. The property was located in a gated community with 590 front feet on Lake Coeur d'Alene. Respondent outlined some of the features associated with the residence including two (2) stone fireplaces and a sauna. After 410 days on the market, the property sold in October 2015 for \$1,500,000.

Similar to Appellant's analysis described above, Respondent compared each sale property directly with subject and made adjustments for various differences. Notable adjustments included construction quality, condition, square footage, lot size, front footage, and outbuildings. Adjusted sale prices ranged from \$1,648,858 to \$2,383,075, which Respondent argued supported subject's purchase price.

According to Respondent, only two (2) waterfront properties in the county sold in excess of \$2 million during 2015, with subject's \$2.3 million purchase representing the highest price. Respondent also asserted there were only two (2) waterfront properties currently on the market with asking prices in excess of \$2.3 million. Respondent further referenced the assessed values

in subject's subdivision and highlighted the fact subject's total assessed value was near the top of the list.

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) approaches 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 is typically used to estimate the market value of residential property.

Both parties offered information and analysis related to the sales comparison approach. Indeed, the parties each provided multiple sales for the Board's consideration. In examining the data, it becomes abundantly clear that finding sales of highly similar property is difficult when the subject is a uniquely designed custom residence. This was evident in the rather large number and size of adjustments both parties applied to their respective comparable sales. The subject

lot is also unique in terms of its large size and estate-like setting. None of the sale properties had the unique combination of subject's custom residence type and large lot size, which naturally makes it more difficult to accurately determine the market value question. The sale properties ranged in lot size from .31 to 12.6 acres and in square footage from roughly 3,200 to 12,000 square feet. Sale prices also ranged widely from \$1,425,000 to \$6,025,000, or between \$1,648,585 and \$6,163,977 after adjustments.

Respondent contended subject's recent purchase price should receive primary consideration. Noting the property was listed on the market for approximately four (4) years at various price points, Respondent reasoned the \$2,300,000 purchase price represented the best evidence of market value. Appellant argued subject's purchase information should be disregarded because the property was purchased from a bank, which in Appellant's view rendered the sale a distressed sale and unuseable for determining market value.

While this Board agrees bank sales should generally be viewed critically due to atypical motivations often involved in such sales, we are disinclined here to completely disregard subject's recent listing and purchase information. As noted above, the comparable sales considered by the parties offer widely divergent value indications. Subject's purchase represents simply another data point in the broader analysis. Subject is undoubtedly unique, and as such, the Board finds here that some consideration should be given its recent purchase, recognizing such purchase was from a bank.

In appeals to this Board, pursuant to Idaho Code § 63-511, the burden is with Appellant to establish error in the BOE's decision by a preponderance of the evidence. Given the circumstances presented here, we do not find the burden of proof satisfied. While Appellant did

offer some sales information which pointed to a higher value conclusion, Respondent's sales information suggested a lower value. There were concerns with the comparability of both parties' sales, however, such is not unexpected when valuing a truly unique property like the subject. Both parties offered an appraisal of subject's value considering the price information from comparable sales, however, ended up at different value conclusions. Such results do occur with different appraisals, particularly with appraisals of unique custom property. Overall, the Board did not find one party's analysis superior to the other. As such, the Board did not find sufficient cause to disturb the BOE's value conclusion when the guest house value is included. Accordingly, the decision of the Kootenai County Board of Equalization is affirmed.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Kootenai County Board of Equalization concerning the subject parcel be, and the same hereby is, AFFIRMED, where \$959,484 is attributable to the land, and \$1,817,440² to the improvements, resulting in a total valuation of \$2,776,924.

DATED this 22nd day of February, 2017.

²This ordered improvement value includes the \$117,440 value of the secondary residence, which had been omitted in the BOE's decision letter value.