

BEFORE THE IDAHO BOARD OF TAX APPEALS

EDWARD AND NANCY NARANJO,)	
)	
Appellants,)	APPEAL NO. 16-A-1096
)	
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 modifying the protest of valuation for taxing purposes of property described by Parcel No. RP059620010250A. The appeal concerns the 2016 tax year.

This matter came on for hearing October 3, 2016 in Sandpoint, Idaho before Board Member Linda Pike. Appellants Edward and Nancy Naranjo were 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 \$533,058, the improvements' value is \$89,870, and the other improvements' value is \$12,600, totaling \$635,528. Appellants contend the correct land value is \$460,000, with no change to the improvements' values, for a total property value of \$562,470.

The subject property is a one (1) acre residential parcel with 190 waterfront feet on

the east side of Priest Lake in Coolin, Idaho. The parcel is improved with a residence, small outbuilding and boat dock. The waterfront topography is moderately sloped with grass and beach areas. A portion of the waterfront is rocky and brushy.

In August 2014, Appellants purchased the subject land in a State-sponsored auction for \$400,000. The auction involved 60 State-owned lakefront cottage sites which had been leased to various lessees who were allowed to improve the land. Appellants were the only bidder and paid the minimum bid price which had been determined by an appraisal. If a non-lessee purchased a lot, the associated improvements had to be purchased from the lessee, which in the subject's case would have cost an additional \$277,300, for a total price of \$677,300. Appellants were the lessee at the time, so did not have to pay anything additional for the improvements.

Appellants explained the State was obligated to obtain the highest prices possible for the auction lots. It was noted the auction was extensively advertised and the minimum bid appraisals were performed by competent appraisers. There were a wide range of prices at the auction for different waterfront lots with differing characteristics. In Appellants' view, the auction price connected with subject represented the best evidence of subject's land value, and they petitioned the assessment be reduced accordingly.

Appellants did not offer any direct evidence of subject's improvements value, but did argue the auction appraisals valued improvements too high. Appellants offered into evidence a copy of a fee appraisal report, however it was not one (1) performed on the subject property. Appellants made reference to other auctioned or State-owned lots, some

of which had sold or were listed for sale, but did not analyze these in an appraisal manner.

Respondent outlined several concerns with the auction and argued the auction sales should not be considered in determining subject's market value. Respondent pointed to several appraisal resources which consistently took the position that sales involving a government entity were generally considered invalid for purposes of estimating market value. It was further noted, bidders were required to be present and deposit a substantial cashier's check before being eligible to bid at the auction. Respondent contended the buyers were highly motivated to purchase the land under their cabins. Respondent found the various barriers limited the number of potential buyers and the overall transactions did not comport with recognized market value standards.

Respondent detailed how subject's original 2016 assessed value was determined. More than thirty (30) Priest Lake sales from 2013 to 2015 were studied. This information helped identify four (4) distinct market areas around the lake, as well as, determine the base values for the different site ratings assigned to each lakefront parcel. The site ratings focused on the two (2) characteristics found to have the greatest impact on market value; beach type and lot topography. Due to subject's moderate slope and beachfront amenities, a site rating of "Average" was assigned. The same land matrix was applied to each parcel around the lake.

First, Respondent presented an analysis of all the information for sales within subject's neighborhood. Here information on seven (7) presented sales indicated land price rates ranging from \$3,047 to \$6,133 per waterfront foot. The higher rate was for a

“Good” rated lot and the lowest rate was for a “Fair” rated lot. An unimproved “Average” rated lot, with 140 waterfront feet, sold in March 2014, indicating a price rate of \$3,321 per front foot.

Focusing on the 2015 market data in subject’s area, Respondent offered information on two (2) comparable sales that bracketed the subject’s site rating. The first involved an improved lot with 75 front feet on the lake. The property was noted to be superior, with a site rating of “Good”, and sold in October 2015 for \$595,000. After removing improvement values, a residual vacant land value was calculated of \$459,960, or \$6,133 per front foot. The other sale closed in May 2015. This parcel had a “Fair” site rating and enjoyed 100 front feet on the lake. The property sold for \$389,000, with a residual land value of \$304,700, or \$3,047 per front foot. On a like basis, subject’s assessment for the bare or vacant land with 190 front feet was \$520,058, or \$2,737 per front foot. To the vacant land value, Respondent added \$13,000 for site improvements, for a total land value of \$533,058.

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. Such an assessment may go up or down each year, but must comport with the tax law's market value standard. 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). Each approach ultimately relies on a consideration of the available information from recent comparable sales. In this, recent means recent to the effective date of appraisal, which is the January 1st date referenced above.

Appellants' primary market value evidence was the 2014 purchase of subject's land at a government-sponsored auction for \$400,000. The price was tied to an appraisal of subject which included a consideration of the improvements' value, but Appellants did not present a copy of the appraisal itself. While the recent sale of the 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 number of special conditions surrounding the State-sponsored auction. As such, little weight was afforded the auction purchase.

By contrast, the Board found Respondent's value case better supported. Consideration was given to subject's unique physical characteristics. Further, Respondent's sales involved properties situated in subject's same market area. And multiple sales were recent, occurring in 2015. On a per-front-foot basis, subject's land was assessed less than the price rates suggested by the best and most recent comparable sales. Overall, the Board found Respondent's value case represented a more complete consideration of the broader market generally, and the subject property specifically.

In appeals to this Board, pursuant to Idaho Code § 63-511, the burden is with the Appellant to establish Subject's valuation is erroneous by a preponderance of the evidence. The Board did not find the burden of proof met in this case. In supporting subject's 2016 assessment, particularly the contested land value, Respondent presented appraisal like analyses of multiple recent sales of comparable property. These were open market sales connected with fee simple ownership interests. Contrasting this, the Board was asked to consider as the best evidence the State's 2014 auction of subject's land. We did not find the auction-related information to be good evidence on the question of subject's current market value. For the reasons expressed, 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 6th day of March, 2017.