

BEFORE THE IDAHO BOARD OF TAX APPEALS

MICHAEL OTHS AND SUSAN BURKE,)	
)	
Appellants,)	APPEAL NO. 16-A-1049
)	
v.)	FINAL DECISION
)	AND ORDER
ADA COUNTY,)	
)	
Respondent.)	
_____)	
)	
)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Ada County Board of Equalization denying the protest of valuation for taxing purposes of property described by Parcel No. R9227970570. The appeal concerns the 2016 tax year.

This matter came on for hearing October 18, 2016 in Boise, Idaho before Hearing Officer Travis Vanlith. Michael Oths appeared at hearing for Appellants. Chief Deputy Assessor Tim Tallman 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 Ada County Board of Equalization is reversed.

FINDINGS OF FACT

The subject’s assessed value is \$297,300. Appellants contend the correct value is \$255,000.

The subject property is a 1,568 square foot single-level townhome located in the Warm Springs Hollow subdivision in Boise, Idaho. The residence, constructed in 1984,

includes two (2) bedrooms and two (2) bathrooms, and a 528 square foot attached garage. The subdivision is comprised of 58 units, all of which have access to the outdoor community swimming pool and tennis court.

Appellants purchased subject in December 2015 for \$250,000. Appellants noted the prior owners had occupied subject for roughly twelve (12) years, however, had not done any updating or remodeling work. Appellants reported some repair work was needed, however, details were not provided. Appellants also mentioned there was no prior relationship with the sellers. Appellants characterized subject's purchase as an arm's-length market value transaction, and argued it was the best available evidence of subject's current value.

Appellants also submitted an independent fee appraisal of the subject property. The appraisal considered information concerning four (4) recent sales and one (1) active listing from subject's general neighborhood. The sale residences were roughly similar to subject in terms of square footage, quality of construction, age, bedroom and bathroom count, and lot size. The appraisal made adjustments to the sale properties for physical differences compared to subject, with residence size representing the largest adjustment factor. Sale prices ranged from \$239,000 to \$305,000, and from \$235,000 to \$289,600 after adjustments. The appraisal concluded a total value of \$255,000 for subject.

Respondent contested some aspects of the fee appraisal report. Of particular concern was the lack of adjustments for construction quality and date of sale. The appraisal report considered the sale residences to be similar in quality and comparable.

Respondent, on the other hand, regarded the sale residences as inferior to subject. For the time adjustment, Respondent contended a .5% per month upward time adjustment represented the market trend in subject's area during 2015. The fee appraisal, by contrast, characterized the market as stable, so no time adjustments were made to the sales.

Appellants further provided assessment information for the sales used in the fee appraisal report, as well as, on two (2) of the sale properties included in Respondent's analysis. With the exception of one (1) of Appellants' sales, the sale properties were assessed less than the respective purchase prices. Appellants also highlighted the respective assessed values were mostly in the \$250,000 range, which Appellants noted was near the value being requested for subject.

Respondent's value evidence consisted of information connected with six (6) sales from 2015. The sale properties were mostly comparable to subject in several key areas, such as square footage, age, and bedroom and bathroom count. The sale prices ranged from \$225,000 to \$345,000. In Respondent's view, the primary difference between subject and the majority of the sales was the sale residences were inferior in construction quality and therefore required large adjustments to make them comparable to subject. Respondent made some other smaller adjustments for minor differences between the sale properties and subject, resulting in adjusted prices ranging from \$245,523 to \$322,059.

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.

Support for Appellants’ value claim came from three (3) sources. The first was a comparison of assessed values to sale prices. Appellants noted among the comparable sales referenced nearly every sale property was assessed below the respective purchase price, yet subject was assessed roughly \$45,000 more than its recent purchase price. While this information was interesting, a comparison of assessed values is not a recognized appraisal approach. Therefore, the assessment information did not factor in the Board’s analysis.

Better received by the Board was the information concerning subject's purchase and the fee appraisal report. Appellants characterized the purchase as an arm's-length market value sale and argued the price paid represented the best evidence of market value. Respondent broadly questioned the validity of subject's purchase, and argued even if it were a market value sale, it represented only a single data point which is insufficient to determine the market value of a common property type. While we agree the sales comparison approach generally considers multiple recent sales of similar property, this does not mean the purchase of a particular property should be excluded or otherwise ignored. The Board is strained to find how the recent arm's-length purchase of the very property being valued should not factor in determining the market value of that property. In this case, subject was purchased, in what the record before us indicates was an arm's-length transaction, just two (2) weeks before the January 1, 2016 effective date of valuation. To disregard this key data point would be in error in the Board's view.

The Board also favorably received the value information in the fee appraisal report. From the details provided, the comparable sale properties shared many key similarities with subject. Adjustments were made to the sale properties, however, the adjustments were relatively minor, which indicates the sale properties were highly comparable. Respondent took issue with the lack of adjustments for time and construction quality. Regarding the latter, the appraisal report considered the sale residences similar in quality to subject, so no adjustments were made. Respondent may consider the sale residences to be of inferior quality, but did not demonstrate or otherwise explain how or why the sale

residences were of lesser quality than subject. In the Board's experience, such differences between appraisal professionals is not uncommon, and without more justification, is not sufficient grounds for completely dismissing one appraisal or the other. As for adjusting the sale prices for date of sale, the fee appraisal determined the market over the prior six (6) months was stable, so no adjustment was needed. We note most of the sales in the fee appraisal occurred late in 2015, so even applying Respondent's time adjustment rate would not alter the sale prices in a substantial way.

The Board likewise appreciated the sales information offered by Respondent. Similar to the comparable sales in the fee appraisal, Respondent's sale properties were generally comparable to subject. The primary difference between subject and the sale residences was construction quality, for which Respondent made large adjustments. Other adjustments were minor and found to be reasonable in the Board's view.

Combined, the parties provided a strong group of comparable sales and accompanying analysis for the Board's consideration. Most of the contract sale prices were below \$300,000, though after applying large quality adjustments, Respondent's adjusted prices were well above \$300,000. In fact, it was difficult to understand the correlation between Respondent's adjusted sale prices and subject's 2016 assessed value which is notably less. By contrast, Appellants' information pointed to a consistent range of value. In addition to subject's purchase in December 2015 for \$250,000, the fee appraisal concluded a value of \$255,000 as of November 11, 2015. The fee appraisal was based largely on a consideration of comparable sales requiring relatively few adjustments

in the appraiser's judgment. Overall, the Board was more persuaded by the value evidence and the value case offered by Appellants.

In appeals to this Board, pursuant to Idaho Code § 63-511, the burden lies with Appellants to establish subject's valuation is erroneous by a preponderance of the evidence. Given the evidence presented in this matter, we find the burden of proof satisfied. In this particular case, the fee appraisal report and subject's purchase price were found to be the most reliable indicators of subject's value.

Based on the above, the value decision of the Ada County Board of Equalization is reversed to reflect a reduction in subject's total assessed value to \$255,000.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Ada County Board of Equalization concerning the subject parcel be, and the same hereby is, REVERSED to reflect a decrease in the value of the improvements to \$150,500, with no change to the \$104,500 land value, resulting in a total value of \$255,000.

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 Appellants.

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

DATED this 13th day of March, 2017.