

BEFORE THE IDAHO BOARD OF TAX APPEALS

JAMES AND LESLIE THOMPSON,)	
)	
Appellants,)	APPEAL NO. 16-A-1146
)	
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. RP059640010090A. 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 James and Leslie Thompson were self-represented. Manager of Assessor Operations Bonnie Berscheid 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 original assessed land value was \$538,432, and the combined value of the improvements was \$130,220, totaling \$668,652. The Bonner County Board of Equalization (BOE) reduced the land value to \$347,230, with no change to the improvements' valuation, for a total value of \$477,450. Appellants agrees with the value of the improvements,

however, contend the correct land value is \$200,000, or a total value of \$330,220.

The subject property is a 3.14 acre lot with 339 waterfront feet on the southern outlet of Priest Lake. The parcel is improved with a 1,256 square foot residence and a dock.

Appellants contended Respondent grossly inflated the land valuation as the assessment increased about 270%. Appellants described the uniqueness of the subject property. It is located on the steep north slope of Outlet Mountain on the shallow shores of Outlet Bay. The property is accessible only by boat; there are no roads within miles. Subject is only accessible for approximately 4 to 5 months of the year. Subject was also described as having a lower lake level and winter ice, along with steep and rocky slopes, all which further limit the access. Appellants maintained there were no boat-in only properties which have recently sold to compare to subject.

Prior to its purchase at auction in 2014 for \$200,000, the subject lot was owned by the State of Idaho and leased to Appellants. This was the case for many parcels in subject's area. The State allowed lessees to improve the lots with cabins, docks, and other residential or recreational improvements. In 2014, the State held an auction involving dozens of leasehold parcels. For each lot, an independent appraisal was obtained. Minimum bid prices were set to match the individual appraisal values. Subject's purchase price matched the value conclusion reached in its appraisal. Appellants contended subject's assessed land value should be the same as the price paid at auction.

Appellants provided four (4) independent fee appraisals of the subject property.

One (1) was prepared in 2012, two (2) in 2013, and the final one (1) in 2014. The land value conclusion reached in each instance was \$200,000. The value conclusion from three (3) of the appraisals, for the total subject, ranged between \$365,000 and \$450,000. The final appraisal valued subject as if vacant and unimproved. The sales used in the appraisals took place between 2010 and 2014. Respondent pointed out many of these sales were not located in the same area as subject with some being located over 70 miles away, and others being located on different bodies of water. Further noted, the net adjustments made to the some of the sales were rather large. One (1) appraisal only accounted for 150 feet of subject's actual 339 front feet.

Appellants reported two (2) neighboring properties which were the same size, and had the same lake frontage, topography and boat access, each sold for \$200,000 at auction. A third identical lot which was also appraised at \$200,000, did not sell.

Lastly, Appellants provided a listing of a neighboring property. The property was listed for \$485,000 and has similar acreage and water frontage as subject. The residence contains 2,276 square feet. Respondent stated when the property sells it will be considered in developing values in the area.

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 waterfront rating of "low" based on the water-access only. To account for subject's boat-only access, Respondent adjusted subject's value downward by 25%.

Respondent provided additional information concerning three (3) waterfront sales of Priest Lake parcels to compare with subject. The sales took place in 2012, 2014 and 2015. One (1) of the sales was a vacant parcel, which consisted of 110 waterfront feet and sold for \$538,000, or \$4,891 per front foot. The remaining two (2) sales involved improved parcels with waterfront feet of 150 and 75 feet. The sale prices were \$622,000 and \$425,000. After extracting assessed values of the associated improvements, Respondent calculated land value residuals of \$377,720 and \$302,460, or \$2,518 and \$4,033 per front foot. Subject contains 339 front feet. Based on the sales and subject's land rating, Respondent concluded a value rate of \$1,550 per front foot for subject's land. The BOE subsequently lowered this value to \$347,230 or \$1,024 per front foot. Appellant argued Respondent's sales are not boat access only sales and have paved access and other amenities. Further, Appellants argued the 25% adjustment applied for boat-only was not supported by any data.

Respondent argued the auction sales were invalid and therefore should not be used to set land values. It was explained the auction took place because the State of Idaho was under compulsion to sell the lots to fulfill its obligation to the endowment fund, and the lessees were the purchasers of the auction lots. Respondent stated the purchasers had atypical motivation to own the land under their improvements, and therefore the

transactions did not satisfy the definition of market value.

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. The sales comparison approach is often used to value residential property.

The Board understands the uniqueness of the subject property. The parties agree there are no recent boat-in only comparable sales, however, both parties provided a great deal of information for the Board's review. Appellants purchased the subject lot at auction in 2014 and maintained the price paid was market value. Respondent contended subject's

purchase at auction should not be considered because the transaction involved a government entity. While subject's purchase price might be an indicator of value, this alone is not enough to rely on, as market value is typically established through consideration of multiple sales of comparable property, and is not simply the purchase price of an individual property. We further find, with numerous 2015 non auction sales available, we do not need to consider heavily the 2014 auction price.

Appellants provided a current listing of a boat-in only neighboring property. The property was listed for \$485,000 and the physical land characteristics were said to be similar to subject. The listing noted the residence was 2,276 square feet in size which is double the size of subject's residence. However, lacking in record, are the condition of both improvements to compare directly to one another. Respondent explained when the property sells it would be included in its analysis.

The difference in the respective parties' sales analyses is substantial. Appellant provided four (4) appraisals. Each appraisal reached a land value conclusion of \$200,000. Important in appraisal is not the value of one component, but the value of the entire property. Appellants did not challenge the improvements' valuation and mainly focused on the land value. However, in the fee appraisals provided, we did find evidence of the market value for the entire property. The total value conclusion in one appraisal was \$365,000. The most recent appraisal, dated May 2014, reached a total value conclusion of \$459,000, which reasonably resembles the BOE's total value of \$477,450 one and one-half (1 ½) years later.

Respondent provided information on three (3) sales involving parcels located in close proximity to subject. The major difference between subject and the sale properties was subject is only accessible by boat, whereas parcels situated on the other side of the outlet have road access. To account for this, a negative 25% adjustment was applied to subject. One of Appellants' appraisals applied a 35% adjustment for the lack of access. This 35% determination was not based on a sales analysis. In the Board's view, without sales of similar boat-in only properties, it is difficult to determine the proper adjustment. Without stronger evidence suggesting otherwise, the Board was satisfied with Respondent's access adjustment.

A decision of the BOE, and specifically the BOE's 2016 value decision concerning the subject property, enjoys a presumption of correctness on appeal. Before this Board, Pursuant to Idaho Code § 63-511, the burden is with Appellants to establish subject's valuation is erroneous by a preponderance of the evidence.

Although we understand Appellants' position, in the record before us we were strained to find compelling current market value evidence to support the requested reduction. Market value is typically determined from an analysis of multiple recent sales of similar property. We cannot simply adopt an older auction price for the subject lot, representing a single transaction. Nor can we in this instance heavily rely on older sales evidence. The sales in Appellants' appraisals required large adjustments, were older, and many were not located near subject. Ultimately we did not find good and sufficient evidence to warrant lowering subject's assessed value. 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 21st day of February, 2017.