

BEFORE THE IDAHO BOARD OF TAX APPEALS

LYN YOST,)	
)	
Appellant,)	APPEAL NO. 16-A-1093
)	
v.)	FINAL DECISION
)	AND ORDER
BANNOCK COUNTY,)	
)	
Respondent.)	
_____)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Bannock County Board of Equalization denying the protest of valuation for taxing purposes of property described by Parcel No. R3803043618. The appeal concerns the 2016 tax year.

This matter came on for hearing October 14, 2016 in Pocatello, Idaho before Board Member David Kinghorn. Appellant Lyn Yost was self-represented. Assessor Jared Stein 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 Bannock County Board of Equalization is modified.

FINDINGS OF FACT

The assessed land value is \$55,184, and the combined value of the improvements is \$747,774, totaling \$802,958. Appellant contends the correct total value is \$452,000.

The subject property is a five (5) acre parcel located on the outskirts of Pocatello, Idaho, near the Fort Hall Indian Reservation. The property is improved with a three (3) bedroom and three (3) bathroom residence constructed in 2006. The residence includes

4,642 square feet on the main level and 1,999 finished square feet in the basement. Other improvements include a 4,800 square foot shop outbuilding and a detached garage which includes some main floor finished office space.

Appellant detailed the subject property's long listing history dating back to 2008 following a foreclosure by the bank. The initial asking price was \$1,299,000. The asking price was reduced several times until the property was taken off the market in mid-2011 with an asking price of \$699,000. Over the next several years, Respondent reported the property was well-maintained by a property management company and the tenant occupying the premises. In November 2015, subject was put back on the market with an asking price of \$494,000, which was reduced to \$444,600 the following month. Appellant purchased the property for \$452,000 in February 2016. Appellant noted the purchase price was higher than the asking price because there was another bidder interested in the property. Due to the long listing history, which was noted to total 1,215 days, and the fact Appellant had to out-bid another potential buyer, it was argued subject's purchase price represented the best evidence of current market value. Respondent contended the sale was distressed because the property was purchased from a bank and should thus be disregarded.

Appellant described subject as suffering from some deferred maintenance issues at the time of purchase. In this regard, Appellant provided an inspection report dated November 12, 2015. The report detailed some issues regarding both the interior and exterior of the residence. Appellant characterized most of the items listed in the report as

relatively minor, however, maintained subject's value was negatively affected until such time as the repairs are made.

Appellant also provided an independent fee appraisal of the subject property dated February 3, 2016. The appraisal considered information related to four (4) recent improved residential sales. The sale properties were generally similar to subject in terms of lot size, quality of construction, and age. With the exception of Sale No. 4, which was located nearly twelve (12) miles southeast, the sale properties were in subject's general area. The appraisal noted the condition of subject's residence was inferior to the sale residences and none of the sales had an outbuilding similar to subject's large shop building. The appraisal adjusted for these factors and others, such as square footage, fireplace count, and lot size. Sale No. 4 was also adjusted heavily for being situated in a superior location. Sale prices ranged from \$434,900 to \$726,000, with adjusted sale prices ranging from \$450,000 to \$667,000. The appraisal concluded a total value of \$480,000 for subject.

Appellant further provided an analysis involving ten (10) recent sales. Though there was some variance between individual sale properties, average residence size was 5,410 square feet with five (5) bedrooms and four (4) bathrooms, and average lot size was four (4) acres. The sale residences were also generally similar to subject in terms of age. Sale prices ranged from \$405,000 to \$750,000. Focusing on the ratio between the individual sale prices and the respective current assessed values, Appellant calculated the sale properties were assessed at 101% of their purchase price, on average. By contrast, subject was assessed at 178% of its purchase price, which Appellant contended was

neither fair nor equitable.

Though not offered as direct evidence of value, Appellant additionally produced subject's property insurance coverage information. Appellant noted the combined coverage for the residence and the detached shop building, plus subject's assessed land value, totaled roughly \$500,000, which Appellant highlighted was in line with other data points in the record.

Respondent likewise provided sales information to support subject's assessed value. The first set of sales concerned three (3) properties located in or near Pocatello. Lot sizes ranged from 2.7 to 2.97 acres and the residences contained between 2,672 and 3,458 above grade square feet. The first property sold in November 2015 for \$750,000, the second in April 2014 for \$539,000, and the third in October 2015 for \$519,000. Respondent removed assessed land and other improvement values to arrive at residual price rates for the sale residences between \$143 and \$194 per square foot. The subject residence was assessed for \$139 per square foot.

Respondent's second set of sales involved three (3) rural residential parcels situated outside Idaho Falls, in nearby Bonneville County. Respondent explained there was a lack of rural sales of residences subject's size in the county, so it was necessary to expand the geographic scope to find comparable sales. Lot sizes were notably smaller, ranging from 1.0 to 3.42 acres. The sale residences were between 3,065 and 6,926 square feet in size, and the sale properties all included notably larger garages. Sale prices ranged from \$875,000 to \$1,285,000. After removing land and other improvement values, residual price

rates for the sale residences were between \$164 and \$239 per square foot.

Respondent's third set of sales included a list of three (3) vacant parcels from subject's area. The first sale involved two (2) parcels with a combined acreage of 10 acres which sold in May 2016 for \$100,000. Sale No. 2 concerned a five (5) acre lot which sold in May 2015 for \$71,000. The final sale lot was 1.91 acres and sold in April 2015 for \$50,000. Appellant agreed these lot sales supported subject's land value.

Appellant challenged the comparability of the majority of Respondent's sales information. Regarding Respondent's first set of sales, Appellant pointed out two (2) were located thirteen (13) miles away in a completely different neighborhood which Appellant characterized as highly superior to subject's. In this regard, Appellant offered a comparison of assessed values in subject's immediate area to assessed values in the immediate vicinity of the sale properties. Total assessed values for the five (5) properties situated in closest proximity to subject ranged from \$50,050 to \$211,891, or an average of \$155,586. On a similar basis, assessed values in the neighborhood of Sale Nos. 1 and 2 were between \$289,813 and \$694,921, or \$490,590 on average. Assessed values around Sale No. 3 ranged from \$400,137 to \$628,925, or an average of \$555,798. Appellant acknowledged subject is over-built for its specific neighborhood, however, maintained the assessment information from the sale properties' respective neighborhoods demonstrate subject's location is inferior and not comparable to the other neighborhoods.

Appellant likewise questioned the comparability of the properties included in Respondent's second set of sales. Appellant noted all of the sales were located in a

different county, roughly fifty (50) miles away. Due to this location factor, Appellant argued the sales should not be used to develop an opinion of subject's 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. *Merris v. Ada County*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). Both parties offered sales information relevant to the sales comparison approach.

Appellant provided several sources of information, all of which pointed to a market value less than subject's current assessed value. The first source was an independent fee

appraisal report concerning the subject property. The appraisal compared four (4) sale properties from 2015 to subject. Adjustments were made to the sales for physical differences compared to subject, yielding adjusted sale prices between \$450,000 and \$667,000. The appraisal concluded a value of \$480,000 for subject. While the appraisal analysis was well received by the Board, the effective date of valuation was February 2, 2016. As noted above, the controlling date is January 1, 2016, which means the value conclusion is untimely for purposes of this appeal. The sales information, however, was timely and factored heavily in the Board's consideration.

Also of interest to the Board was Appellant's list of ten (10) sales. Though lot sizes varied, the sale residences were generally similar to subject in terms of age, and bedroom and bathroom count. Sale prices ranged from \$405,000 to \$750,000. Appellant did not directly compare the sale properties to subject, nor were appraisal adjustments made. Rather, the list of sales was offered to show the range of prices in the general area for properties considered similar to subject.

In addition to the fee appraisal and other sales information, Appellant regarded subject's early 2016 purchase price the best evidence of market value. Appellant noted subject had been on the market for several years at steadily declining asking prices. Appellant further highlighted the final purchase price was higher than the asking price because another bidder was in the picture. Due to the long listing history and the price negotiations leading up to subject's purchase, Appellant contended the sale was an arm's-length transaction. Respondent argued the sale must be disregarded because the seller

was a bank. While we generally agree sales involving a bank should be viewed cautiously, we do not agree such sales should be automatically disregarded in their entirety. In this case, subject is a unique property in the area due to its large size. This was evidenced in the sale information offered by both parties, which mostly consisted of sales involving smaller residences. Because subject is unique and there are very few comparable sale properties, some consideration should be given to subject's recent purchase.

Appellant also offered subject's insurance information, as well as, an analysis comparing assessed values in subject's area with assessed values in the neighborhoods surrounding Respondent's local sales. Both provided interesting data points, however, neither represent recognized appraisal practice, so were afforded minimal weight by the Board.

Respondent's value evidence consisted primarily of three (3) sets of sales, two (2) of which concerned improved properties and one (1) was comprised of vacant land sales. Appellant agreed the land sales were appropriate for developing subject's land value, however, argued the improved sales should be disregarded. With respect to the sales from neighboring Bonneville County, we agree. These sale properties were located roughly fifty (50) miles from subject, yet no location adjustments were made. The sales also appeared to be smaller lots situated in subdivision developments, whereas subject is a five (5) acre parcel located in a rural area. There were too many questions of comparability regarding the Idaho Falls sales for the Board to give serious consideration to this information.

Respondent's local Pocatello sales were better received by the Board. That being said, the sale properties were located as many as thirteen (13) miles from subject on the opposite side of town. Again, Respondent made no adjustment for the location factor, which in the Board's experience is a key value element. Nor did Respondent directly compare the sale properties to subject, other than extracting price per square foot rates for the residences.

Idaho Code § 63-511 places the burden on Appellant to demonstrate error in subject's valuation by a preponderance of the evidence. Given the evidence presented in this case, we find the burden of proof satisfied. None of the local sales provided by either party support subject's total assessed value. Indeed, there were only two (2) local properties which sold in excess of \$700,000. The remaining twelve (12) sales were in the \$400,000 to \$500,000 range. To find subject's value is roughly \$800,000 is unsupported by all the relevant sales and other information in the record. As such, the Board is satisfied subject's value should be reduced, though not to subject's purchase price nor the value indicated by the fee appraisal because both represent data points after the effective date of valuation.

Based on the above, the decision of the Bannock County Board of Equalization is modified to reflect a total value of \$500,000 for the subject property.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Bannock County Board of Equalization concerning the subject parcel be, and the

same hereby is, MODIFIED to reflect a decrease in the value of subject's improvements to \$444,816, with no change to the \$55,184 land value, resulting in a total value of \$500,000.

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 Appellant.

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.