

BEFORE THE IDAHO BOARD OF TAX APPEALS

KOOTENAI COUNTY ASSESSOR,)	
)	
Appellant,)	APPEAL NO. 16-A-1069
)	
v.)	FINAL DECISION
)	AND ORDER
ROY NEWTON,)	
)	
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. 0226000009A. 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. Kootenai County Assessor Mike McDowell appeared at hearing for Appellant. Property Owner Roy Newton appeared at hearing for 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 lakefront property.

The decision of the Kootenai County Board of Equalization is modified.

FINDINGS OF FACT

The original assessed land value was \$1,680,746, and the improvements' value was \$467,390, totaling \$2,148,136. The Kootenai County Board of Equalization (BOE) reduced the land value to \$1,260,559, with no change to the improvements' value of \$467,390, totaling \$1,727,949. Appellant requests the land value be increased to \$1,567,875, with no change to the improvements' value of \$467,390, for a total value of \$2,035,265.

The subject property is an improved waterfront parcel located on Lake Coeur d'Alene in the Everwell Bay area near Coeur d'Alene, Idaho. The parcel is 5.84 acres in size with 329 feet of water frontage and is improved with a 6,000 square foot residence which includes five (5) bedrooms, three (3) full and two (2) half bathrooms, built in 1986. The property is further improved with two (2) boat docks.

Respondent detailed the conditions which led to a value reduction by the BOE. A 2-story, 32 foot high, 2,400 square foot boat garage had been constructed out on the lake near subject. The improvements, constructed in mid-2015, blocked a portion of subject's lake views. The large boat garage was placed about 246 feet away from subject's own dock improvements, which in Respondent's opinion ruined subject's view. Respondent declared subject suffered a substantial loss in value by the presence of the boat garage. Both parties provided abundant photographs depicting the newly erected boat garage.

Appellant characterized the BOE's decision to lower subject's market value, at least where the view factor was involved, as arbitrary and lacking sufficient supporting evidence. It was further claimed the BOE decision disrupted the uniformity in the subject's immediate area. Therefore Appellant generally requested subject's original assessed value be reinstated. Appellant contended there was no marketplace evidence to suggest subject's value had been affected one way or the other by the large boat garage.

Appellant described subject as estate-like, being accessed by a short, gated, gently sloping paved driveway which leads down to the homesite with its paved parking. Subject was further described as a very rare property and among the most desirable on the lake. Within subject's large land area, there is 160 feet of level grassy lake frontage landscaped to the

water's edge. The remaining 1.8 acres of waterfront is gently sloped with easy access, a sandy beach, and ample space. The view from subject's beach was said to span approximately 180 degrees including all of Everwell Bay.

In support of Appellant's value request, information was offered on four (4) improved sales and two (2) vacant land sales. Improved Sale No. 1 contained 359 waterfront feet and was improved with a 4,586 square foot residence. This property was located 1.25 miles from subject and enjoyed the same general water area as subject. The property sold in October 2014 for \$5,350,000. Improved Sale No. 2 concerned a boat-in only parcel with 275 waterfront feet. The residence was 2,044 square feet in size. The property was regarded as inferior to subject and sold in November 2015 for \$1,350,000. Sale No. 3 transpired in May of 2015 for \$2,100,000. The residence included 4,083 square feet and the lot had 363 waterfront feet on the lake. This homesite has an elevated view with a long trail and stairway down a moderately steep slope to the shoreline. The sale was located 5.24 miles from subject. Improved Sale No. 4 contained 300 waterfront feet and was improved with a 1,526 square foot residence. This property was located 5.46 miles from subject and sold in June 2016 for \$2,500,000.

Appellant directly compared the improved comparable sales with subject. Appraisal adjustments were made for differences compared to subject. The adjustments included such factors as location, construction grade, age, condition, living area square footage, garage size and other notable physical differences. The adjusted sale prices ranged from \$2,033,420 to \$2,611,663. Using the sales comparison approach, a subject value of \$2,300,000 was concluded.

Appellant also provided value information from two (2) vacant lakefront sales. The first

involved a .60 acre lot with 85 waterfront feet. This sale took place in September 2014 for \$495,000. The second property sold in October 2015 and sold for \$970,000. The sale property was located 400 feet east of subject, with similar lake views as subject, however, only contained 130 waterfront feet and .40 acres. Appellant considered this homesite to be inferior to subject's. It was Appellant's contention the property, which looked out at the boat garage location, sold after the new boat garage was erected. Respondent disagreed, and reported the lot went under contract in July 2015, which was before the boat garage was built. Further, Respondent explained the buyer was from out of state and had not returned to the property in the period between agreeing to purchase it and the eventual October 2015 closing.

To support subject's BOE assessed value, Respondent, a local realtor, offered an opinion of value letter from himself. The letter referenced the 32 foot high boat garage and its impact on subject's view. The letter concluded an expected sale price of \$1,475,834.

Respondent also provided information on two (2) sets of condominium sales. Each set were located in the same building and presented to demonstrate properties with a view sold for a premium compared to similar units without a view. The first sale was a two (2) bedroom, two (2) bathroom, 1,277 square foot condominium. This unit contained views of the Spokane River and sold for \$425,000 in October 2014. The second sale was also a two (2) bedroom, two (2) bathroom condominium with 1,600 square feet and city views. The second condominium sold for \$345,000 in May 2015.

The second set of sales involved three (3) bedroom, two (2) bathroom condominium units located in the same building. The first unit contained 2,381 square feet and was a southwest corner unit with lake views. The unit sold for \$950,000 in August 2016. The second sale

contained 2,328 square feet. This condominium sold for \$761,000 in July of 2016. Information connected with the listing for sale stated this property had panoramic views.

Appellant argued the condominium unit sales were not relevant to the question of subject's value because they were not beachfront properties.

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 typically used to estimate the market value of residential property.

Appellant offered extensive information and analysis directly related to the sales comparison approach which included a consideration of multiple lakefront sales adjusted for differences with subject. In fact both parties provided extensive information on multiple sales

for the Board's consideration. The Board notes a small amount of this market data was untimely for the retrospective valuation date germane to this case, and it was consequently disregarded. Included with the parties' value cases were very different opinions on the proper appraisal consideration of a near neighbor's newly constructed boat garage which is clearly visible from the subject and other neighboring properties.

Respondent contended the presence of the boat garage reduced subject's market value and this must be reflected in the property's assessment. Appellant agreed subject's view had changed for the current owner, however, argued all potential buyers would not necessarily be as opposed to the new views as is the current owner. Appellant concluded there was insufficient market data to support a value reduction. We disagree. While subject enjoys many prime features of a waterfront homesite, the prominent presence of the unusually large boat garage with its angular features, albeit located generally off to one side of the subject, does materially impact subject's use and enjoyment. This is true in multiple respects, although referencing the primary view hindrances is most important here.

Appellant adjusted the comparable sale prices in its market approach and determined value indications for subject ranging from \$2,033,420 to \$2,611,663. A final value conclusion in the approach was \$2,300,000. The comparable sales were generally dissimilar to subject in regards to the view factor, lacking the presence of an obtrusive and unusual feature within the main views of the lake and the nearby shoreline.

Respondent suggested the price impact of such an impeded view could be measured from condominium unit sales in something like a "matched pairs" appraisal analysis. Respondent's derived adjustment factor mirrored in some respects the degree of adjustment

applied by the BOE. However the Board did not find this data relevant to subject's market value where subject is a waterfront and estate like property. There were concerns with different parts of the condominium analysis, but it failed up front where the condominium units were not comparable property. We did not otherwise find evidence in the record to support the market discounting subject's value by such a large degree.

On the whole the Board found Appellant's valuation of subject was mostly sound. We did disagree with the result, however, where no adjustment was made for the impacts from the large and prominent boat garage. The Board finds the evidence dictates an adjustment be applied where the majority of the comparable sales fully, or mostly, lacked any detrimental feature similar to the impact of the boat garage. The one nearby vacant land sale, from which the boat garage could be viewed, was not conclusive on its own, and the consideration of multiple sales of comparable property was called for. Where the Board found adjusting the individual comparable sales impractical, we here apply a downward adjustment of 10% to Appellant's determined land value ($\$1,567,875 \times 90\% = \$1,411,088$). Applying this adjustment gives balanced consideration to both subject's positive homesite and waterfront features, as well as the negative impact emanating from the presence of the nearby large boat garage.

In appeals to this Board, pursuant to Idaho Code § 63-511, the burden is with Appellant to establish error in subject's valuation by a preponderance of the evidence. We found the burden of proof satisfied in this case. While Respondent did offer a great deal of information for the Board's consideration, we found Appellant's case presented the best evidence of value, but needing one (1) adjustment to correctly reflect subject's view and enjoyment which is impeded by the nearby presence of an unusually large and prominent boat garage. Ultimately

we agree with the BOE and Respondent that an adjustment for this factor is warranted, but disagree on the size of the adjustment. The adjustment here is only applied in the determination of land value. In this fact set, a negative 10% adjustment is deemed reasonable and appropriate.

For the reasons expressed, the decision of the Kootenai County Board of Equalization is modified as follows.

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 MODIFIED, increasing subject's value as follows:

Land	\$1,411,088
Improvement	<u>\$467,390</u>
Total	\$1,878,478

DATED this 23rd day of March, 2017.