

BEFORE THE IDAHO BOARD OF TAX APPEALS

JENNIFER LEHN AND THOMAS WAKELEY,	)	
	)	
Appellants,	)	APPEAL NO. 16-A-1061
	)	
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 (BOE) modifying the protest of valuation for taxing purposes of property described by Parcel No. RP059540010060A. The appeal concerns the 2016 tax year.

This matter came on for telephonic hearing November 10, 2016 before Hearing Officer Cindy Pollock. Appellants Jennifer Lehn and Thomas Wakeley were self-represented. Manager 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 assessed land value is \$681,748, and the combined value of the improvements is \$98,300, totaling \$780,048. Appellants agree with the improvements' valuation, however, contend the correct land value is \$465,000, or a total value of \$563,300.

The subject property is a .84 acre parcel with 155 front feet on the eastern shores

of Priest Lake. The parcel is improved with a 1,256 square foot cabin constructed in 1966. Other improvements include a small guest cabin and a recently constructed boathouse. The beachfront was described as sandy in certain areas and rocky and grassy in others.

Appellants purchased the subject lot at a State-sponsored auction in August 2015 for \$465,000. Subject was one of many Priest Lake lots the State of Idaho put up for auction. Previously, the lots were leased to various lessees who were allowed to improve the sites. If a non-lessee purchased a lot at the auction, the associated improvements had to be purchased from the lessee. Minimum bid prices were determined according to independent fee appraisals of each auction lot, which in the case of subject, was \$465,000. Appellants were the lessees at the time of subject's purchase so did not have to pay anything additional for the improvements, which the appraisal valued at \$220,000.

Appellants contended subject's assessed land value should be the same as the price paid at auction. Appellants explained the auction was voluntary and well advertised and noted the State was required by law to obtain the highest price possible for each auction lot. As such, Appellants reasoned subject's purchase price was market value.

Respondent raised some concerns with the auction process and argued the auction price should not be used to set subject's value. First, Respondent pointed to several appraisal sources which stated government sales are generally presumed invalid and should not be used. Respondent also questioned the motivation of the purchasers, whom Respondent contended were specially motivated to purchase the lot under their cabins. It was further noted potential buyers had to deposit a \$50,000 cashier's check in order to

bid, and in the event a non-lessee purchased a lot, the attached improvements would also have to be purchased from the owner. Respondent further highlighted the rather large and inconsistent adjustments used in subject's appraisal as a basis for disregarding it. In Respondent's view, the various barriers limited the number of potential buyers and the transactions generally did not comport to recognized market value standards.

In valuing parcels around Priest Lake for 2016, Respondent developed a land matrix. The matrix considered information related to thirty (30) sales which occurred between 2013 and 2015. These sales were used to identify four (4) distinct market areas around the lake. Respondent also developed site ratings for each lakefront parcel based on a lot's particular beachfront and topography. Due to subject's somewhat inconsistent beachfront, Respondent assigned a site rating of "average", which represents the mid-level grade on the main lake.

Focusing on subject's value, Respondent offered information concerning five (5) 2015 sales from subject's market area. Three (3) of the sales had site ratings of "good", one (1) had an "average" rating, and the final sale lot's site rating was "fair". Two (2) of the "good" sales were improved and one (1) was vacant. The improved "good" sales involved lots with 50 and 60 front feet, with sale prices of \$347,625 and \$600,000, respectively. After removing improvement values, Respondent calculated residual land prices of \$266,055 and \$512,200, or \$5,321 and \$8,537 per front foot, respectively. The vacant "good" sale lot enjoyed 50 front feet on the lake. The parcel sold for \$224,500, or \$4,490 per front foot. The "average" sale property was an improved lakefront parcel. The lot

contained 76 front feet and sold for \$475,000, or \$5,028 per front foot after removing the value of the improvements. The final sale concerned a “fair” rated lot with 70 front feet on the lake. The property sold for \$350,000, or \$3,258 per front foot after removing the value of the improvements. Subject’s “average” rated lot was assessed at a rate of \$4,135 per front foot, which Respondent explained took into account the large amount of water frontage subject had compared to the sale properties.

Respondent also contested the BOE’s decision to change the method of measuring subject’s water frontage from a meandering shoreline measurement, to a pin-to-pin measurement. Respondent’s policy is to use the shoreline measurement unless a parcel’s recorded deed indicates a different measurement. For parcels with both meandering shoreline and pin-to-pin measurements, the policy is to use the meandering shoreline measurement. The BOE’s decision to change the method of measurement was argued to create two (2) groups of property within the same property class in violation of the Idaho Constitution. The BOE’s decision reduced subject’s frontage from 175 front feet to 155 front feet.

#### 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. The three (3) primary methods for determining market value are 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). The sales comparison approach, which considers price information from multiple recent sales of similar property, is commonly used to value residential property.

In addition to the subject lot’s purchase at auction, Appellants provided the fee appraisal used to set the minimum bid price. The appraisal considered twenty (20) sales between 2011 and 2015 from around the lake. The appraisal concluded a land value of \$465,000 and \$220,000 for the improvements. While the appraisal did provide a good number of sales, the Board did have concerns with some of the sales used and the accompanying analysis. First, seven (7) of the sales were from 2011, yet no time adjustments were applied to reflect current market conditions. The Board also found the net adjustments made to the sales, which ranged from -42% to +63%, were rather large and inconsistent. Most concerning, however, was the appraisal did not make location

adjustments. In the Board's experience, location is a key value consideration. This view is also supported by the sales information shared by Respondent, which demonstrated notably different price ranges between different areas around the lake. Due to these concerns, subject's fee appraisal factored lightly in the Board's consideration.

Appellants' primary argument was the auction purchase of the subject lot for \$465,000 in August 2015 represented the best evidence of current market value. We disagree. While the recent purchase of a parcel can provide a good indication of its current market value, relying on a single sale at a government-sponsored auction is generally not considered best appraisal practice.

As noted above, a thorough sales comparison analysis typically involves the consideration of multiple recent sales of similar property. Generally, transactions involving government entities are excluded from a market value analysis, though they can be appropriately considered in certain instances. However, even if a sale by the government was not a concern, the Board would be reluctant to rely solely on a single auction sale; particularly where numerous non-auction sales exist. "[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). In the case at bar, the subject lot's purchase price at auction appears to be an outlier compared to the sales information involving non-auction parcels which point to a

higher market value. As a result, the Board was not persuaded to rely on this single data point as the basis for adjusting subject's value.

By contrast, the Board found Respondent's value analysis better supported. Consideration was given to subject's unique physical characteristics, including beach type and amount of frontage. Further, Respondent's sales involved properties located in subject's same market area. And the sales were recent, having occurred in 2015. On a per-front-foot basis, subject was valued less than the most comparable sale offered by Respondent, which further evidences subject's assessed value is not overstated. Overall, the Board found Respondent's value position represented a more complete consideration of the broader market generally, and the subject property specifically.

We turn now to Respondent's concern regarding the BOE's decision to change the method of measuring subject's beachfront from a meandering shoreline measurement to a pin-to-pin measurement. Respondent explained its policy is to use the meandering shoreline measurement when such is indicated on the deed, and the pin-to-pin measurement when the meandering shoreline measurement is not indicated. Respondent argued the BOE's decision to change the method of measurement for subject's frontage was unconstitutional because it created two (2) groups of property within the same property class.

While we understand Respondent's argument, it is fundamentally flawed because by Respondent's own admission, some parcels on the lake are currently valued using the pin-to-pin measurement and others using meandering shoreline. In other words, the BOE

did not create two (2) distinct groups of property within the same property class because such was already the case. As such, we do not find sufficient cause to change subject's frontage back to the meandering shoreline measurement.

In appeals to this Board, pursuant to Idaho Code § 63-511, the burden of proof is with Appellants to establish subject's valuation is erroneous by a preponderance of the evidence. Though Appellants provided some relevant market information, Respondent's value evidence was judged to be more thorough and better supported. Appellants' direct value evidence consisted of subject's purchase at a government-sponsored auction and the fee appraisal used to set the minimum bid price at the auction. As noted earlier, the Board was reluctant to rely heavily on a single auction sale, even though it involved the subject property. And, due to the noted concerns regarding the fee appraisal, we did not find sufficient cause to disrupt the value determined by the BOE.

Based on the above, 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 value decision of the Bonner County Board of Equalization concerning the subject parcel be, and the same hereby is, AFFIRMED.

DATED this 23<sup>rd</sup> day of March, 2017.