

BEFORE THE IDAHO BOARD OF TAX APPEALS

PJS&K CRAIG, LLC,)	
)	
Appellant,)	APPEAL NO. 16-A-1016
)	
v.)	FINAL DECISION
)	AND ORDER
BONNER COUNTY ASSESSOR,)	
)	
Respondent.)	
_____)	
BONNER COUNTY ASSESSOR)	
)	
Appellant,)	APPEAL NO. 16-A-1030
)	
v.)	FINAL DECISION
)	AND ORDER
PJS&K CRAIG, LLC,)	
)	
Respondent.)	
_____)	

RESIDENTIAL PROPERTY APPEAL

These appeals are 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. RP059670010130A. The appeals concern the 2016 tax year.

This matter came on for telephonic hearing November 9, 2016 before Hearing Officer Cindy Pollock. President Paul Craig represented PJS&K Craig, LLC at hearing. Chief Deputy Assessor Bonnie Berscheid represented Bonner County Assessor.

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

For purposes of this decision, PJS&K Craig, LLC will hereinafter be referred to as Taxpayer, and Bonner County Assessor as Assessor.

The original assessed land value was \$714,526, and the combined value of the improvements was \$80,020, totaling \$794,546. The Bonner County Board of Equalization (BOE) left the improvements' value unchanged, however, reduced the land value to \$712,046, for a total value of \$792,066. Taxpayer contends the correct land value is \$597,000, and the improvements' value is \$48,000, totaling \$645,000. Assessor petitioned the original assessed values be reinstated.

The subject property is a .94 acre residential lot with 154 waterfront feet on the east side of Priest Lake. The parcel is improved with an 868 square foot, one (1) bedroom, one (1) bathroom cabin. Other improvements include a detached garage and an outbuilding, half of which serves as a guest cabin and the other half as storage space. The residence is surrounded by extensive wood decking, upon which sits a partially finished laundry room. The property is further improved with boat dock improvements.

Prior to purchasing the subject lot in 2015 for \$597,000 at a government-sponsored auction, Taxpayer leased the lot from the State of Idaho, which was a common arrangement on certain portions of Priest Lake. In late 2014, Taxpayer purchased the above-described improvements from the owners for \$48,000, who until that time were lessees of the subject lot. Taxpayer also assumed the lease for the lot when the improvements were purchased. The 2015 State-sponsored auction featured dozens of lots for sale. Minimum bid prices for each auction lot were determined by fee appraisals. The purchase price of the subject lot matched the land

value conclusion reached in the appraisal. It was noted if a non-lessee purchased a lot at the auction, the attached improvements would also have to be purchased from the owner. In subject's case, Taxpayer had already purchased the improvements prior to the auction, so nothing additional was paid.

Taxpayer contended subject's assessed land value should be the same as the price paid at auction. Taxpayer noted the Idaho Department of Lands had a constitutional duty to obtain the highest price possible for each auction lot and argued such was the case with subject's land purchase. Taxpayer therefore reasoned the auction purchase price was market value.

Assessor raised concerns with the auction process and argued the auction prices should not be used to value subject. First, Assessor pointed to several appraisal sources which stated government sales are generally presumed invalid and should not be used for purposes of estimating market value. Assessor also questioned the motivation of the purchasers, whom Assessor 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. Assessor also highlighted the rather large and inconsistent adjustments used in the appraisals as another basis for disregarding the value conclusions reached therein. Due to the auction restrictions and questions concerning the appraisals, Assessor argued the subject lot's auction price should not be considered.

Included in Assessor's exhibit materials was a copy of subject's fee appraisal prepared for the auction. Taxpayer highlighted four (4) sales included in the appraisal and argued these should serve as the basis for determining subject's land value. Sale prices ranged from \$450,000 to \$675,000, or from \$3,600 to \$4,488 per waterfront foot. Assessor pointed out two

(2) of the sales occurred in 2011 and two (2) in 2013. After applying an adjustment for date of sale, to reflect value on the January 1, 2016 assessment date for this appeal, Assessor reported the sale prices closely resembled subject's current assessed land value at roughly \$4,500 per front foot.

Taxpayer also questioned the building-to-land ratio in subject's assessment. Taxpayer contended subject's improvements were under-valued, which caused subject's land value to be overstated. In Taxpayer's view, the land value conclusion reached in subject's auction appraisal was more appropriate. Assessor noted subject's fee appraisal concluded a value of \$145,000 for the improvements and further pointed out the appraisal's total value conclusion of \$742,000 was reasonably close to subject's total 2016 assessed value of \$792,066.

Taxpayer further referenced three (3) properties in subject's area which had been on the market for more than 120 days without selling. Taxpayer reported the listed properties had a similar amount of water frontage as subject, though no other physical details were shared. Asking prices indicated the average price rates ranged from \$1,953 to \$4,187 per front foot. Respondent pointed out all of the listing properties were inferior to subject in terms of site rating, with two (2) having a site rating of "fair" and one (1) rated as "average", which represent the two (2) lowest ratings available on the main body of the lake.

Assessor detailed how subject's original assessed value was determined. A land matrix was developed for the reappraisal of Priest Lake for the 2016 tax year. The matrix considered information concerning thirty (30) non-auction sales which transpired between 2013 and 2015. These sales were used to identify four (4) distinct market areas around the lake. Assessor also developed site ratings for each lakefront parcel based on the lot's particular beachfront and

topography. Due to subject's sandy beachfront and relatively level lot topography, Assessor assigned a site rating of "good", which is the highest rating category for parcels on the main lake.

Focusing on subject's valuation, Assessor provided two (2) sales from 2015 in subject's neighborhood. The first was a lot with 75 waterfront feet and a site rating of "good" which sold for \$595,000. After removing improvement values, Assessor calculated a residual land value of \$459,960, or a price rate of \$6,133 per front foot. The other sale concerned a lower rated "fair" lot with 100 front feet. The sale price was \$389,000, with a residual land value of \$304,700, or \$3,047 per front foot. Subject's raw land was valued at \$701,526, or \$4,555 per front foot.

Assessor also challenged 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, which resulted in a decrease in subject's shoreline from 154 front feet to 153 front feet. It was explained Assessor's policy is to use the shoreline measurement unless a parcel's recorded deed indicated 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.

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 normally considers the price information from multiple recent sales of similar property, is often used to value residential property.

Taxpayer’s primary argument was subject’s lot value should match the price paid at auction in August 2015. We disagree. While the recent purchase of a parcel can provide a good indication of its current market value, relying on a single government-sponsored auction sale, is generally not considered good appraisal practice. “[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 all, the Board was reluctant to place too much weight on a single sale, particularly where the record includes numerous recent sales of non-auction properties.

The Board found Assessor’s value analysis better supported. Assessor’s sales involved

properties situated in subject's same market area which sold during 2015. On a per-front-foot basis, subject was valued less than the most comparable "good" sale offered by Assessor, which further evidences subject's assessed value is not overstated. Overall, the Board found Assessor's value position represented a more complete consideration of the broader market generally, and the subject property specifically.

Taxpayer also questioned the allocation of value between subject's land and improvements components. Taxpayer contended subject's improvements were valued too low, thereby inflating the value of the land. Assessor pointed out subject's earlier auction appraisal concluded a total value similar to subject's total assessed value. Assessor further argued the allocation of value between property components is not as important as the total value. The Board agrees.

The allocation of value between the improvements and the land is of secondary importance to the total or full market value conclusion for purposes of assessment and taxation. Indeed, it is the total property which is assessed as a single unit, not the individual components which might be listed on the assessment notice. The same holds true in the marketplace, where buyers are concerned with the total price of a property, not the land-to-building ratio.

The Board was also unpersuaded by the listing information offered by Taxpayer. Taxpayer reported asking prices and claimed the listed properties were similar to subject in the amount of water frontage each had. No other details were provided. Further, Assessor noted the listings involved lots with inferior site ratings compared to subject and argued the listings were overall dissimilar. Due to the lack of information, other than the inferior site ratings highlighted by Assessor, the Board gave little weight to the listing information.

Shifting to the shoreline measurement issue, Assessor argued the BOE's decision to change the method of measurement from meandering shoreline to pin-to-pin was improper because it created separate groups of property within the same property class. Assessor explained its policy is to use the meandering shoreline measurement unless the recorded deed indicates otherwise, and for deeds which include both measurements, the meandering shoreline measurement is used.

Whether the pin-to-pin or the meandering shoreline method of measurement should be used is not for this Board to decide. The issue before us is whether the BOE erred in its decision to measure subject's water frontage on a pin-to-pin basis. Based on the record before us, we find no such error here. Assessor's waterfront measurement policy, while consistently applied, is itself inherently inconsistent, as some waterfronts are measured on a pin-to-pin basis and others on meandering shoreline. The BOE's decision to value subject according to the pin-to-pin measurement did not create two (2) separate groups within the same class of property because such was already the case pursuant to Assessor's own policy. As such, the Board did not find sufficient cause to disrupt the BOE's decision on this issue.

Idaho Code § 63-511 places the burden of proving error in subject's assessed value by a preponderance of the evidence on the party bringing an appeal before this Board. We did not find this burden satisfied by either party. Subject's value as determined by the BOE was supported by a consideration of multiple recent sales of similar property. Taxpayer's primary argument centered on subject lot's purchase at a government-sponsored auction, which in the Board's view was insufficient to overcome Assessor's valuation analysis. Likewise, Assessor did not sufficiently demonstrate the BOE had legally erred in using the pin-to-pin method to

measure subject's frontage, because Assessor already measures some parcels on the same basis.

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 March, 2017.