

BEFORE THE IDAHO BOARD OF TAX APPEALS

PHIPPEN FAMILY TRUST,)	
)	
Appellant,)	APPEAL NO. 16-A-1004
)	
v.)	FINAL DECISION
)	AND ORDER
BONNER COUNTY ASSESSOR,)	
)	
Respondent.)	
_____)	
BONNER COUNTY ASSESSOR,)	
)	
Appellant,)	APPEAL NO. 16-A-1015
)	
v.)	FINAL DECISION
)	AND ORDER
PHIPPEN FAMILY TRUST,)	
)	
Respondent.)	
_____)	

RESIDENTIAL PROPERTY APPEALS

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. RP059510010290A. The appeals concern the 2016 tax year.

These matters came on for telephonic hearing November 7, 2016 before Hearing Officer Cindy Pollock. Trustee John Phippen represented Phippen Family Trust at hearing. Manager 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, Phippen Family Trust will hereinafter be referred to as Taxpayer, and Bonner County as Assessor.

The original assessed land value was \$614,685, and the combined value of the improvements was \$111,610, totaling \$726,295. The Bonner County Board of Equalization (BOE) reduced the land value to \$589,160, with no changes to the improvements' value, totaling \$700,770. Taxpayer agrees with the value of the improvements, however, contends the land value should be reduced to \$340,000, for a total value of \$451,610. Assessor argues the original assessed values be reinstated.

The subject property is a 1.51 acre residential parcel with 224 front feet on the east shore of Priest Lake. The parcel is improved with a roughly 920 square foot residence, as well as an outbuilding and some dock improvements. Subject's beachfront was described as mostly rocky and the topography as steeply sloped.

Taxpayer purchased the subject lot at a State-sponsored auction in 2014 for \$340,000. Prior to the purchase, Taxpayer leased the lot from the State of Idaho, which is a common arrangement for lots on the east side of the lake. Lessees were allowed to improve the lots with cabins, docks, and other recreational improvements. In 2014, the State sponsored an auction involving dozens of leasehold parcels around the lake. Independent fee appraisals were commissioned for each parcel and minimum bid prices at the auction were set at the respective value conclusions reached in the appraisals. Subject's purchase price of \$340,000 matched the land value determined by the appraisal.

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. Therefore, Taxpayer reasoned the lot's purchase price was market value.

Assessor raised some concerns with the auction process in general and argued the subject lot's auction price should not be used to determine the current land value. Assessor pointed to several appraisal sources which stated government sales are generally presumed invalid and should not be used to estimate market value. Assessor also questioned the motivation of the auction purchasers, whom Assessor contended were specially motivated to purchase the land 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 prior lessee. In the case of the subject improvements, the auction flyer indicated an improvement value of \$204,700. Assessor also highlighted the rather large and inconsistent adjustments used in the appraisals as further justification for disregarding the value conclusions.

Assessor detailed how subject's original assessed value was determined. More than thirty (30) Priest Lake sales from 2013 to 2015 were studied. This information helped Assessor identify four (4) distinct market areas around the lake, as well as determine base valuation rates for the different site ratings assigned to each lakefront parcel. The site ratings focused on the two (2) characteristics Assessor found to have the greatest impact on market value; beach type and lot topography. Due to subject's steep topography and rocky beachfront, a site rating of

“fair” was assigned, which represented the lowest rating category on the main lake.

Taxpayer also challenged the valuation methodology used by Assessor to determine subject’s assessed value. Of particular concern was Assessor’s land matrix only considered two (2) characteristics in determining site ratings. Taxpayer explained subject’s residence sits in the middle of the lot, not near the road nor the water. The residence is accessed via a steep driveway and access to the beach requires walking down 95 steps and then another fifty (50) feet down a narrow trail. In Taxpayer’s view, the orientation of subject’s residence on the lot negatively impacts value. Assessor remarked many parcels on the east side of the lake are steep and require stairways or trails to access the waterfront, so an adjustment for this factor is unnecessary.

Focusing on subject’s value, Assessor provided information concerning two (2) waterfront sales from subject’s neighborhood. The first was a lot with 75 waterfront feet with a site rating of “good”. The parcel sold in October 2015 for \$595,000. After removing value attributable to the improvements, Assessor calculated a residual land price of \$459,960, or \$6,133 per front foot. The other sale property, with a site rating of “fair” enjoyed 100 front feet on the lake. The property sold for \$389,000 in May 2015, with a residual land price of \$304,700, or \$3,047 per square foot. Subject’s 224 waterfront feet were originally assessed at roughly \$2,686 per front foot. Assessor explained subject was valued lower per front foot than the comparable “fair” sale due to subject’s rather large frontage.

Assessor took particular issue with the Bonner County Board of Equalization’s (BOE’s) decision to change the method of measuring subject’s shoreline from a meandering shoreline

measurement to a pin-to-pin measurement; the result of which reduced subject's frontage from 224 front feet to 214 front feet. Assessor explained its policy is to measure frontage on a meandering shoreline basis unless the recorded survey indicates a different measurement. In cases where both measurements are indicated, Assessor uses the meandering shoreline measurement. In Assessor's view, the meandering shoreline measurement more accurately captures a parcel's actual beachfront and was thus more appropriate to use than the pin-to-pin measurement. It was argued the BOE's decision effectively created 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 include 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 often used to value residential property.

In terms of direct value evidence, Taxpayer relied chiefly on the subject lot's purchase at auction in 2014. In Taxpayer's view, subject's assessed land value should match the auction price. We disagree. While the recent purchase of a property can provide a good indication of its current market value, relying on a single sale at a government-sponsored auction, 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). Further, subject's purchase was in 2014, which is somewhat dated price information for purposes of determining current market value. Though subject's purchase did weigh in the Board's consideration, it did not factor heavily because there were numerous other recent non-auction waterfront sales in the record pointing to a value higher than petitioned by Taxpayer.

Assessor's value position was found better supported. The value was derived from a recent market study of the entire lake, which identified distinct market areas around the lake, and also helped determine site ratings for each lot. Numerous sales were used to establish base valuation rates to which adjustments were applied. In subject's case, Respondent used two (2) sales to support the adjusted rate applied to subject's frontage. The sale property with the same

"fair" site rating as subject, sold for \$389,000, or \$3,047 per front foot after extracting improvement values. Subject's land was assessed by the BOE at roughly \$2,630 per front foot. Assessor explained the subject lot was valued at a lesser rate than the "fair" rated sale because subject had more than double the amount of water frontage.

Taxpayer challenged Assessor's land value matrix as being incomplete because only two (2) characteristics were used to determine site ratings. Taxpayer argued the distance between subject's residence and the waterfront, and the distance from the road to the residence, should have factored into the analysis. Proper consideration of these factors, in Taxpayer's opinion, would reduce subject's site rating to "poor". Assessor explained the "fair" site rating was the lowest possible rating on the main lake. The "poor" rating was reserved strictly for parcels situated on the outlet at the southern end of the lake or the canal on the northern section of the lake, which locations are demonstrably inferior compared to the main lake.

Though Taxpayer's position in wanting to include more factors in determining site ratings is understandable, we did not find error Assessor's matrix or methodology. The fact more property characteristics *could* have been considered does not mean the matrix as utilized was unreasonable or otherwise led to an arbitrary value.

"Although different types of property are by their nature more amenable to valuation by one method of appraisal than another the touchstone in the appraisal of property for *ad valorem* tax purposes is the fair market value of that property, and fair market value must result from application of the chosen appraisal method. An arbitrary valuation is one that does not reflect the fair market value or full cash value of the property and cannot stand . . . There is no one factor which can be said to be the key to the proper appraisal of taxable property." *Merris* at 63, 398 (emphasis in original).

As applied here, subject's land value was the result of a methodology aimed at

ascertaining current market value. The matrix focused on the two (2) characteristics Assessor found to contribute the most value, which were beachfront and lot topography. Further, as explained by Assessor, it is common for parcels around the lake to have difficult road and/or beach access. Subject was assigned the lowest site rating available due to the lot's steepness and rocky beachfront, and was further discounted for having a larger than average amount of water frontage. Taxpayer failed to demonstrate a further reduction is warranted.

We turn now to the shoreline measurement issue. 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. 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.

While we understand Assessor's argument, it is fundamentally flawed because by Assessor's own admission, some parcels on the lake are currently valued using the pin-to-pin measurement and others using meandering shoreline. Stated differently, the BOE did not create two (2) distinct groups of property within the same class because such was already the case with Assessor's measurement policy. Whether the meandering shoreline or pin-to-pin measurement should be used is unnecessary for this Board to decide here. Rather, we are tasked with determining whether the BOE's decision to use subject's pin-to-pin shoreline measurement was proven by Assessor to be erroneous by a preponderance of the evidence. Idaho Code § 63-511. In this case, we do not find the burden of proof satisfied because Assessor already uses

different methods of frontage measurement around the lake.

We likewise find Taxpayer failed to adequately demonstrate error in the value determined by the BOE. The only evidence pointing toward Taxpayer's requested value was subject's purchase price at auction. As discussed earlier, the single auction sale is insufficient grounds to disturb subject's valuation. Accordingly, 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 22nd day of March, 2017.