

BEFORE THE IDAHO BOARD OF TAX APPEALS

TROY ST. GERMAIN,)	
)	
Appellant,)	APPEAL NO. 16-A-1023
)	
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 modifying the protest of valuation for taxing purposes of property described by Parcel No. RP57N03W349350A. The appeal concerns the 2016 tax year.

This matter came on for telephonic hearing November 7, 2016 before Hearing Officer Cindy Pollock. Appellant Troy St. Germain was self-represented. Assessor Jerry Clemons 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 modified.

FINDINGS OF FACT

The original assessed land value was \$73,539, with \$60,539 attributable to the raw land and \$13,000 to the onsite improvements, and the residential improvements' value was \$71,300, totaling \$144,839. The Bonner County Board of Equalization reduced the total value to \$143,089. Appellant contends the correct land value is \$40,000, and the improvements' value is \$41,000, totaling \$81,000.

The subject property is a two (2) acre residential parcel situated west of Sandpoint, Idaho, near the Pend Oreille River. The property is currently improved with a partially finished 2,160 square foot residence. Appellant purchased the property in 2014 for \$60,000.

Offered in support of reducing subject's land value, Appellant provided information concerning four (4) vacant lot sales from the general area. Sale Nos. 1 and 3 closed in 2015 and the remaining sales transpired during 2014. Sale No. 1 was a five (5) acre lot which sold for \$32,000. Sale No. 2 involved a .6 acre lot which closed for \$35,000. Sale No. 3 concerned a five (5) acre lot which sold for \$40,000, and the .5 acre lot in Sale No. 4 sold for \$41,900. Based on these sales, a local realtor concluded a value of \$40,000 for subject's lot. Respondent argued the 2014 sales were too dated to be used in estimating subject's current value, and the 2015 sales were located roughly five (5) miles away in neighborhoods Respondent considered inferior to subject's.

Appellant also challenged the \$13,000 value, added to the raw land value, for subject's onsite improvements. Appellant pointed out the subject property did not have any utilities, and argued it was improper to include such value in the assessment. The only improvement to the land was \$1,000 Appellant spent to spread some gravel on the existing driveway. Respondent explained its policy is to assess the full \$13,000 rate to any parcel improved with a dwelling. It was noted onsite improvements would include not only utilities, but also grading, driveways, and other similar type improvements to the land. Because subject had a driveway, Respondent contended use of the full onsite rate was appropriate.

Turning to the value of subject's residence, Appellant contested the level of

completion represented in the assessment. Respondent, utilizing a checklist which assigns completion percentages to various construction components estimated the residence was 48% complete. Appellant argued the checklist was erroneously applied to subject in four (4) specific areas. Pointing first to the item titled "Excavation, forms, water/sewage hookup", Appellant stated none of the work had been done, and stressed again subject's site does not have water, sewer, or electrical power. Appellant contended the completion percentage for this item should be reduced from 4% to 0%. Respondent was unaware subject did not have onsite utility improvements, however, maintained the completion percentage for the residence should not be changed.

The completion percentage of the next item, titled "Concrete", was also challenged. Appellant explained more work was needed to complete the foundation. In Appellant's estimation about one-half ($\frac{1}{2}$) of the concrete work had been completed, so petitioned the completion percentage be reduced from 8% to 4%. Respondent noted the residence is sitting on a permanent foundation of post and piers, which is a common foundation type in the area. In Respondent's view, the relevant concrete work had been completed.

The next contested item was "Exterior cover". It was explained there were no decks or skirting around the base of the dwelling, no stairs to access the exterior doors, and the siding was only about 80% complete. It was argued this completion percentage should be 2% instead of 6%. Respondent disagreed with Appellant's assessment of the siding, insisting the siding was complete.

Lastly, Appellant contended the "Painting and decorating" percentage should be reduced from a level of 2% to 1%. Appellant stated the exterior was covered with only one

(1) coat of paint, so was therefore incomplete. Respondent explained the “Painting and decorating” considers both interior and exterior paint work, each contributing 2% to the overall 4% completion percentage. Because the exterior had been painted, and no interior painting had yet occurred, Respondent determined 2% was the appropriate completion percentage for this item.

Adjusting the completion percentages as indicated, Appellant contended the subject residence was 35% complete. A local builder estimated a value of \$41,000 for the residence in its current incomplete state.

Respondent likewise examined subject’s land and improvement components separately. For the land, information concerning five (5) improved sales was offered in support of subject’s land value. Lot sizes ranged from 1.81 to 6.92 acres. Details regarding the associated improvements were not shared, however, Respondent extracted the assessed values of the improvements from the sale prices to arrive at residual values for the lots. Unadjusted sale prices were between \$179,000 and \$420,000. After removing improvement values, the residual land values ranged from \$99,470 to \$161,680.

For the value of subject’s residence, Respondent offered three (3) sales from 2015. The sale residences were constructed between 2006 and 2010, and ranged in size from 1,074 to 2,084 square feet. The sale residences shared the same “fair” grade and “average” condition ratings as the subject residence. Sale prices ranged from \$225,000 to \$419,500. Though details concerning the sale lots were absent in the record, Respondent removed land values from the sale prices and calculated residual price rates for the residences of between \$71.17 and \$84.35 per square foot. Respondent noted the

subject residence would be valued at \$68 per square foot if completed, however, was assessed at roughly \$33 per square foot in its current incomplete state.

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).

Regarding subject's land value, both parties offered recent sales information for the Board's consideration. Appellant provided four (4) vacant lot sales with sale prices between \$32,000 and \$41,900. Respondent pointed out two (2) of the sale properties were located in a different market area approximately five (5) miles away from subject.

The locations of the other two (2) sales were not indicated by either party.

Respondent's sales information, by contrast, consisted of five (5) improved properties located within a couple miles of subject. Respondent calculated residual land prices ranging from \$99,470 to \$161,680, by removing the assessed values of the associated improvements. While the Board appreciates Respondent's methodology, the approach is noted to be rather simple. That being said, the residual land values do support Respondent's contention Appellant's sale properties were located in inferior neighborhoods. Indeed, Appellant's highest sale price is less than one-half ($\frac{1}{2}$) the lowest residual land value calculated by Respondent. It is apparent to the Board Appellant's sales would need significant location adjustments to make them comparable to subject. However, as such information is not in the record, a location adjustment is not possible in this case. Accordingly, we do not find sufficient evidence to reduce subject's raw land value.

Though the Board did not find error in subject's raw land value, we did have concerns with the \$13,000 added for onsite improvements. Respondent's policy is to assess the full \$13,000 rate to any parcel improved with a dwelling. As applied to subject, however, and based on the record before us, this policy fails. The record is clear subject has no water, power, or sewer and otherwise rather limited onsite improvements. To assign the same \$13,000 rate as with a parcel otherwise improved with a full complement of onsite improvements is erroneous in the Board's view. On the limited record before us we do not see good evidence to support the market's pricing behavior in this regard. Appellant reported spending \$1,000 for gravel to cover an existing driveway, which

information represents the best evidence of value in the record related to subject's onsite improvements. As such, we will reduce the value of subject's onsite improvements to \$1,000 for the gravel and another \$1,000 for the driveway and pad work such as clearing.

Turning to the value of subject's residence, we found Respondent's base position better supported. Indeed, the three (3) sales offered by Respondent represented the only market value evidence in the record on this issue. Given residual improvement values ranging from \$71.17 to \$84.36 per square foot, subject's value rate of \$68 per square foot, as if complete, appears reasonable.

While we found subject's value rate well supported, we did not find the same with respect to the completion percentage of the residence. In particular, the item titled "Excavation, forms, water/sewage hookup" should not have received the full 4% completion value. As noted earlier, subject homesite does not have any onsite utilities, so to value the residence as having fully in place the installed hookups to these utilities appears improper. We will accordingly reduce the completion factor for this item to 2%. As for the other completion percentages contested by Appellant, there was conflicting evidence offered by the parties, so we did not find sufficient evidence to make the requested changes.

In appeals to this Board, pursuant to Idaho Code § 63-511, the burden is with Appellant to establish subject's valuation is erroneous by a preponderance of the evidence. With respect to the value of subject's onsite improvements and the completion percentage of the residence, we find the burden of proof was satisfied.

Based on the above, the decision of the Bonner County Board of Equalization is modified to reflect a reduction in the value of subject's residence to \$68,000, and a

reduction in the value of the onsite improvements to \$2,000, with no change to the raw land value of \$60,539, resulting in a total value of \$130,539.

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, MODIFIED to reflect a decrease in subject's total value to \$130,539, as indicated above.

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 23rd day of March, 2017.