

BEFORE THE IDAHO BOARD OF TAX APPEALS

JOHN ALLISON AND KIMBERLY THOMAS,)	
)	
Appellants,)	APPEAL NO. 16-A-1099
)	
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. RP059640010080A. The appeal concerns the 2016 tax year.

This matter came on for hearing October 4, 2016 in Sandpoint, Idaho before Board Member Linda Pike. Appellants John Allison and Kimberly Thomas were 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 affirmed.

FINDINGS OF FACT

The original assessed land value was \$539,602, and the improvements' value was \$113,980, totaling \$653,582. Subsequently, the Bonner County Board of Equalization (BOE) lowered the assessed land to \$348,780, with no change to the improvements' value of \$113,980, totaling \$462,760. Appellants agree with the improvement values, however, contend the correct land value is \$215,000, for a total assessed value of \$328,980.

The subject property is a 3.01 acre parcel with about 340 waterfront feet on the southern outlet of Priest Lake in Coolin, Idaho. The parcel is improved with a home and a dock. Subject is only accessible by boat.

Appellants leased the subject lot from the State of Idaho prior to purchasing it at auction for \$200,000 in 2014. Appellants explained a 30-day auction notice was published and the auction was open to any party to bid. Appellants were the sole bidder and paid the minimum bid amount.

Appellants contend subject's assessed land value should be the same as the price paid at auction. Appellants noted multiple appraisals were prepared in connection with the auction and the Idaho Department of Lands had a constitutional duty to obtain the highest price possible for each auction lot. As such, Appellants reasoned the subject site's purchase price was market value. It was further noted neighboring properties were also appraised at \$200,000 and sold at auction for the appraised value. Without, any other sales of boat-in properties, Appellants argued the use of auction sales should be considered valid in determining subject's assessed land value.

Appellants provided copies of two (2) independent fee appraisals concerning the subject property. The appraisals were prepared in 2012 and 2013. The land value conclusions reached were \$200,000 and \$196,000, respectively. The appraisals valued subject as if vacant and unimproved. The sales used in the appraisals took place between 2007 and 2013. Respondent pointed out the net adjustments made to some of the sales were rather large. Further, one (1) appraisal only accounted for 150 feet of subject's actual

lake frontage.

Lastly, Appellants provided a listing of a neighboring property. The property was listed for \$485,000 and had similar acreage and water frontage as the subject. The residence contains 2,276 square feet. Respondent reported when the property sells it will be considered in developing values in the area.

Respondent raised concerns with the auction process and argued the auction prices should not be used to value subject. Respondent explained the auction sales were studied, however in the end were not relied upon. 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 have to be purchased from the owner. Respondent also highlighted the rather large and inconsistent adjustments used in the appraisals prepared for auction as a basis for disregarding them.

Respondent explained the entire lakefront was analyzed and reappraised for the 2016 tax year. Respondent developed a matrix which accounted for the different land characteristics of each lot. Respondent found the two (2) characteristics which have the greatest effect on value were beach type and lot topography. As a result of the study, each lot was analyzed based on these two (2) characteristics and given an overall site rating which correlated with a value derived from sales of similar type lots. Subject's lot was

given a waterfront rating of “low” based on being located on the outlet. To account for subject’s boat-only access, Respondent adjusted the land value downward by 25%.

Respondent provided additional information concerning three (3) waterfront sales on Priest Lake to compare with subject. The sales took place in 2012, 2014 and 2015. One (1) of the sales was a vacant parcel, which consisted of 110 waterfront feet and sold for \$538,000, or \$4,891 per front foot. The remaining two (2) sales involved improved parcels with 150 and 75 waterfront feet. Sale prices were \$622,000 and \$425,000, respectively. After extracting the assessed values of the associated improvements, Respondent calculated land value residuals of \$377,720 and \$302,460, or \$2,518 and \$4,033 per front foot. Subject contains 339 front feet. Based on the sales and subject’s land rating, Respondent concluded a value rate of \$1,549 per front foot for subject’s land. The BOE had subsequently lowered the land value, with an indicated value rate of about \$1,000 per front foot.

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

Appellants’ primary argument centered on the proper consideration of the subject lot’s purchase price at auction. Appellants maintained the price paid was market value because such price was the result of an independent fee appraisal. Respondent contended the auction purchase should not be considered because the transaction involved a government entity. In the record before us, there are several waterfront sales to consider, albeit not boat-in only sales, and therefore we find we need not rely exclusively on an auction sale involving a government entity as the seller.

In looking to find market value, a good sales comparison analysis looks to consider the recent market information from multiple sales of similar property. “Market value, therefore, is generally established by numerous sales of the same or comparable property and, although the price paid for property may be admissible to prove its market value, that fact alone is not conclusive.” *Gillingham v. Stadler*, 93 Idaho 874, 878, 477 P.2d 497, 504 (1970).

In addition to subject’s purchase at auction in 2014, Appellants provided two (2)

appraisals of the subject property. The appraisals were prepared in 2012 and 2013 for auction purposes. The Board was not persuaded of error in subject's assessment by the information in these fee appraisals. In part this was due to concerns with some of the comparable sales considered in the appraisals. Many of the sales had large adjustments and one (1) appraisal valued the land as if it contained 150 front feet versus the actual frontage. Overall, these appraisals were found to offer minimal information on subject's current market value. The sales information relied on was dated and adjustments were not well received.

Respondent conducted a recent market study of Priest Lake values, which identified distinct market areas around the lake. Site ratings were developed for each lot. Respondent used sales to establish a base land valuation rate and then applied appraisal adjustments. In subject's case, Respondent provided information on three (3) sales to support the base land value rate applied to subject's frontage. Respondent adjusted this base value downward by 25% to account for subject's boat-only access.

In appeals to this Board, pursuant to Idaho Code § 63-511, the burden of proof is with the Appellant to establish subject's valuation is erroneous by a preponderance of the evidence. Although the Board appreciated the market data provided by Appellants, we found Respondent's analysis more current and persuasive on the question of market value.

We did not find the recent sales data in record, exclusive of the auction sales, to reasonably support Appellants' suggested land value rate of about \$630 per front foot. Looking at all the sales, with subject's land being assessed at roughly \$1,000 per front foot,

it appears subject is not over-assessed and the land value is well supported. We do not find sufficient evidence to disturb the value set by the Board of Equalization.

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

DATED this 24th day of February, 2017.