

BEFORE THE IDAHO BOARD OF TAX APPEALS

DANIEL STOWE,)	
)	
Appellant,)	APPEAL NO. 16-A-1105
)	
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. RP059640010030A. The appeal concerns the 2016 tax year.

This matter came on for telephonic hearing January 4, 2017, before Hearing Officer Cindy Pollock. Appellant Daniel Stowe 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 affirmed.

FINDINGS OF FACT

The original assessed land value was \$487,407, and the combined improvements' value was \$42,760, totaling \$530,167. The Bonner County Board of Equalization (BOE) reduced the total value to \$340,760. Appellant agrees with the value of the improvements, however, contends the correct land value is \$250,000, or a total value of \$292,760.

The subject property is a 2.68 acre parcel with 296 feet of shoreline on the southern

outlet of Priest Lake. The property is improved with a 1,552 square foot cabin, an outbuilding, and some dock improvements.

Appellant detailed some of the unique issues and features related to subject's location on the outlet. First, the parcel is accessible only by boat. This boat access, however, is restricted to an estimated four (4) or five (5) months of the year due to varying water depths along the outlet at different times. Appellant also noted subject has no fire protection, which makes it more difficult to obtain insurance. Further, it was contended construction costs for boat-only parcels are higher than those with vehicular access.

Appellant purchased the subject lot at a State-sponsored auction in August 2014 for \$250,000. Subject's underlying lot 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 with cabins and other residential and recreational improvements. If a non-lessee purchased a lot at the auction, the associated improvements had to be purchased from the owner. Minimum bid prices were set to match the value conclusions reached in the fee appraisals for each auction lot, which in the case of subject, was \$250,000. Appellant was the lessee at the time of purchase, so did not have to pay anything additional for the improvements.

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

Respondent raised some concerns with the auction process and argued the auction prices should not be used to value subject. First, Respondent pointed to several appraisal sources which stated government sales are generally presumed invalid and should not be used to determine market value. Respondent also questioned the motivation of the purchasers, whom Respondent contended were specially motivated to purchase the lots under their cabins. It was further noted potential buyers had to deposit a \$50,000 cashier's check in order to bid. Respondent also highlighted the rather large and inconsistent adjustments used in subject's fee appraisal, which ranged from -86% to -38%, as the primary basis for disregarding the \$250,000 value conclusion reached therein.

Respondent explained 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. Respondent also developed site ratings for each lakefront parcel based on the lot's particular beachfront and topography. Due to subject's location on the outlet of the lake, Respondent assigned a site rating of "low", which represented the lowest rating category available in the matrix. Respondent additionally applied a downward 25% adjustment to account for subject's boat-only access.

Respondent provided information concerning three (3) improved sales on the outlet. The parcels ranged in shoreline from 75 to 150 front feet. After removing the assessed values of the associated improvements, Respondent calculated residual price rates ranging from \$2,518 to \$4,891 per front foot. Respondent focused on the most recent sale, which

occurred in July 2015. The parcel was located on the other side of the outlet so did have road access. Respondent reported a residual land price of \$377,720, or \$2,518 per front foot after the improvement values were removed from the \$622,000 total sale price. After applying adjustments for subject's large frontage and restricted access, Respondent argued a land value of \$474,407, or \$1,603 per front foot, was appropriate for the subject lot. The BOE's value decision equates to a value rate of approximately \$1,000 per front foot.

Respondent 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. It was explained Respondent's policy is to use the shoreline measurement unless a parcel's recorded plat 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. Though specific details concerning the BOE's decision were not shared, it appears from the recorded plat the BOE reduced subject's frontage from 296 front feet to roughly 285 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 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). Residential property is commonly valued using the sales comparison approach, which relies on a consideration of multiple recent sales of similar property.

Appellant's primary value evidence was the subject lot's purchase at a 2014 government-sponsored auction. In Appellant's view, the \$250,000 auction price represented the best evidence of subject's current land value. We disagree.

Generally, transactions involving government entities are excluded from a market value analysis. However, even if a sale involving the government was not a concern, the Board would be reluctant to rely solely on one (1) 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. Further, the subject lot was purchased in 2014 and Appellant's value request here does not consider changes in the market since that time.

Respondent's value position was derived from a recent market study of Priest Lake. The study identified distinct market areas around the lake and also helped determine site ratings for each waterfront lot. Numerous sales were used to establish base valuation rates to which adjustments were applied. In subject's case, adjustments were made to account for the relatively large frontage, as well as for subject's boat-only access. Subject was assessed lower per front foot than any of the sales offered by Respondent, which evidences consideration was given to subject's unique characteristics.

Turning now to the shoreline measurement issue highlighted by Respondent, we find no legal error in the BOE's decision to change the method of measurement from meandering shoreline to a pin-to-pin measurement. Respondent's policy is to use the meandering shoreline measurement when such is indicated on the plat map. And in the event both shoreline measurements are reflected on the plat, Respondent uses the meandering shoreline measurement. The BOE's decision to change the method of

measurement was argued by Respondent to create two (2) separate groups of property within the same property class. The Board finds differently.

Whether the pin-to-pin or the meandering shoreline method of measurement should always 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. Respondent's waterfront measurement policy, while consistently applied, is itself inherently inconsistent because some waterfronts are measured on a pin-to-pin basis and others on a meandering shoreline basis. The BOE's decision to value subject based on the pin-to-pin measurement did not create two (2) separate groups within the same class of property because such was already the case under Respondent's own policy. As a result, the Board did not find sufficient cause to disrupt the BOE's decision on the shoreline measurement issue.

Pursuant to Idaho Code § 63-511, Appellant bears the burden of proving error in subject's valuation by a preponderance of the evidence. We did not find the burden of proof met in this instance. Appellant's value position was based solely on the subject lot's purchase at auction, which in the Board's view was insufficient to overcome the more thorough analysis offered by Respondent. In all, we did not find sufficient support to reduce or increase the value determined by the BOE. 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 value

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

DATED this 19th day of April, 2017.