

BEFORE THE IDAHO BOARD OF TAX APPEALS

BENJAMIN RUSH MCCONNELL IV,)	
)	
Appellant,)	APPEAL NOS. 17-A-1029
)	and 17-A-1030
v.)	
)	FINAL DECISION
BONNER COUNTY,)	AND ORDER
)	
Respondent.)	
_____)	
)	
)	

VACANT LAND APPEALS

These appeals are taken from decisions of the Bonner County Board of Equalization denying the protests of valuation for taxing purposes of properties described by Parcel Nos. RPE0137005008BA and RPE0138001005VA. The appeals concern the 2017 tax year.

These matters came on for hearing September 14, 2017 in Sandpoint, Idaho before Hearing Officer Travis VanLith. Appellant Benjamin Rush McConnell IV was self-represented. Assessor Jerry Clemons represented Respondent.

Board Members David Kinghorn and Leland Heinrich join in issuing this decision.

The issue on appeal concerns the market value of two (2) vacant residential parcels.

The decisions of the Bonner County Board of Equalization are modified.

FINDINGS OF FACT

Appeal No. 17-A-1029 (Parcel No. RPE0137005008BA)

The assessed land value of this unimproved .137 acre lot is \$44,647. Appellant contends the correct value is \$26,018.

Appeal No. 17-A-1030 (Parcel No. RPE0138001005VA)

The assessed land value of this unimproved .115 acre parcel is \$28,940. Appellant

contends the correct value is \$18,000.

For purposes of this decision the subject parcels will be referred to as Lot 8 and Lot 5, for parcel numbers RPE0137005008BA and RPE0138002005VA respectively. The subject parcels are adjacent vacant lots located in the City of East Hope. Lot 8 fronts Lookout Boulevard, while Lot 5 is situated directly behind Lot 8, with no street frontage, nor any other legal access.

Appellant purchased the subject lots in November 2016, as a package, for a total price of \$47,000. Before the purchase, the prior owner filed a "Property Line Adjustment Application" with the City of East Hope to adjust the lot lines for the purpose of creating a single buildable parcel. The application was granted, which in effect created a single buildable parcel for purposes of satisfying the city's zoning and building requirements. Appellant purchased the lots under the assumption they were a single parcel and argued they should therefore be assessed as such.

Respondent explained the lot line adjustment granted by the city was simply for purposes of satisfying the requirements needed to obtain a building permit, but for assessment purposes the parcels were not legally combined pursuant to county requirements. According to Respondent, in order to legally combine the parcels the owner would need to either re-plat the lots or a deed would need to be recorded with express language intending to combine the lots, along with a description of the new boundary lines. Because neither of these actions had been completed, Respondent considered the subject lots as separate parcels and valued them accordingly.

Respondent reported there were no recent vacant lot sales in East Hope. So subjects' assessments were derived by considering the information on three (3) improved sales located in subjects' immediate proximity. The same three (3) sales were used for valuing both lots, however, different adjustments were applied to account for differences between the subject parcels. The total sale prices ranged from \$142,500 to \$245,000. After removing the value attributed to improvements, Respondent calculated residual land values between \$71,900 and \$107,170. Respondent next adjusted the residual land values for comparison with each subject lot. For Lot 5 Respondent adjusted the residual sale prices for differences in size in comparison to Lot 5. Respondent also applied a 30% downward adjustment to account for the lack of access to Lot 5. The result was adjusted price residuals ranging from \$49,626 to \$81,191. Lot 5 was assessed for \$28,940.

For Lot 8, Respondent similarly adjusted the sale price land residuals for differences in size when this subject was compared to the sale lots. However, because Lot 8 did not suffer from any access issue, no further adjustment was applied. The adjusted price residuals under this analysis ranged from \$65,333 to \$96,898. Lot 8 was assessed for \$44,647.

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, 2017 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 sales comparison approach, the cost approach, and the income approach represent the three (3) approaches for determining market value. *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 considers recent sales of similar property.

The first issue for the Board’s consideration is whether the subject lots should be valued as a single unit or as two (2) separate lots. While we understand Appellant’s position, we did not agree the subject lots should be valued as a single marketing unit. The prior owner’s efforts to combine the lots by filing a lot line adjustment application with the city were enough to satisfy the city’s zoning and building requirements, however, such efforts fell short of what the county requires to effect a legal combination of the parcels for purposes of assessment. Indeed, the city’s approval letter concerning the lot line adjustment contained two (2) conditions of approval as follows:

1. The applicant shall file with the Bonner County Recorder a deed combining the lots into one single lot for the purposes of property line

adjustment. The deed shall clearly identify the purpose of the conveyance for property line adjustment. A copy of the recorded deed shall be provided by the applicant to the city clerk.

2. This approval is valid for two (2) years from the date of the written decision by the East Hope City Council and Mayor. A one (1) -year extension of the approval may be granted by the City Council provided the request is submitted prior to the expiration date.

See Appellant's Exhibit 1, page 14.

As the first condition clearly indicates, further action is required by Appellant to mandate a combination of the lots for county and assessment purposes. Specifically, the owner would record a suitable deed expressly combining the lots. Because no such deed was recorded by the assessment date, and given limited information on the market's preference for combining lots versus owning single lots, and additionally where the lots are not yet improved and used as a single property, we are unpersuaded a single-unit valuation is appropriate here, given the lots legally exist as independent parcels.

The next matter before the Board concerns the specific values of each subject lot. Respondent offered information concerning three (3) sales of improved properties located in subjects' immediate neighborhood. Respondent extracted improvement values from the respective sale prices, resulting in residual land value indications for each. Respondent then adjusted the residual land values for differences in size between the subject lots and the sale properties. For subject Lot 5, an additional 30% adjustment was made due to the lack of access for this parcel.

The Board understands there is a dearth of recent lot sales in East Hope, so finding appropriate comparable sales is more difficult. There was, however, the November 2016

purchase of subject lots for \$47,000. In the Board's view, this timely vacant land sale information should have featured prominently in Respondent's analysis, instead of being excluded. Generally, the recent arm's-length sale of a property being valued is considered strong evidence of its market value. Such is arguably the more true when as here there are no other recent vacant lot sales to consider.

The Board was also concerned with the comparability of the improved sales Respondent considered. Though comparable in terms of location, all of the sale lots were more than double subjects' lot sizes. More concerning, was all the sales considered were improved properties which required large adjustments to extract improvement values. The adjusted prices ranged from roughly \$20,000 to \$50,000 more than subjects' respective assessments. And it was not apparent how the adjusted prices correlated to subjects' much lower assessed values. Therefore, in the end, the Board gave only a small consideration and weight to this value evidence.

Pursuant to Idaho Code § 63-511, Appellant bears the burden of proving error in subjects' valuations by a preponderance of the evidence. Based on the evidence presented in this case, we find the burden of proof satisfied. While the Board is typically reluctant to rely too heavily on single data point, such as subjects' recent purchase, we are strained to find a better indicator of subjects' respective values in the record before us. The questions of comparability between the subject lots and Respondent's sale properties were too great to be disregarded in this instance. Accordingly we determine an allocation of subjects' recent purchase price will best reflect the lots' individual market values. As

such, we will reduce the value of Lot 5 to \$17,000 bearing in mind the lot's access, and reduce the value of Lot 8 to \$30,000.

The decisions of the Bonner County Board of Equalization will be modified as indicated.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the value decisions of the Bonner County Board of Equalization concerning the subject parcels be, and the same hereby are, MODIFIED as follows:

Lot 8's assessed value is modified to reflect \$30,000, and
Lot 5's assessed value is modified to reflect \$17,000.

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 values for the current tax year shall not be increased in the subsequent assessment year.

DATED this 1st day of November, 2017.