

BEFORE THE IDAHO BOARD OF TAX APPEALS

SILVER CREEK PROPERTY HOLDINGS, LLC,)	
)	
Appellant,)	APPEAL NOS. 17-A-1044,
)	17-A-1045 and 17-A-1046
v.)	
)	FINAL DECISION
BLAINE COUNTY,)	AND ORDER
)	
Respondent.)	
_____)	
)	
)	

COMMERCIAL PROPERTY APPEALS

These appeals are taken from decisions of the Blaine County Board of Equalization affirming and modifying the protests of valuation for taxing purposes of properties described by Parcel Nos. RPH0407001001A, RPH04850010010 and RPH0407001002A. The appeals concern the 2017 tax year.

These matters came on for hearing October 5, 2017 in Hailey, Idaho before Hearing Officer Travis VanLith. Matthew Cook appeared for Appellant at hearing. Assessor Valdi Pace represented Respondent.

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

The issue on appeal concerns the market value of three (3) commercial properties.

The decisions of the Blaine County Board of Equalization are affirmed and modified.

FINDINGS OF FACT

For decision-making purposes, the above-captioned appeals are hereby consolidated into this single decision.

Appeal No. 17-A-1044 (Lot 1A) - Parcel No. RPH0407001001A

The assessed land value of this .36 acre parcel is \$414,428. Appellant contends the correct land value is \$275,525.

Appeal No. 17-A-1045 (Lot 1) - Parcel No. RPH04850010010

The assessed land value of this 1.14 acre parcel is \$799,494, and the improvements' valuation is \$195,268, totaling \$994,762. Appellant contends the correct land value is \$614,522, and the correct improvements' value is \$200,000, totaling \$814,522.

Appeal No. 17-A-1046 (Lot 2A) - Parcel No. RPH0407001002A

The assessed land value of this .36 acre parcel is \$438,413. Appellant contends the correct land value is \$235,224.

The subject properties are situated adjacent to one another on the primary commercial thoroughfare running through Hailey, Idaho. The parcels are collectively operated as a car dealership, which has generally been the historical use of the properties. Lot 1 is improved with a commercial building comprised of a small showroom, some offices, a parts department, and a large repair shop. Lots 1A and 2A are not improved with any structures, however are paved.

Appellant contested the methodology used by Respondent to assess the subject properties. Specifically, Appellant challenged Respondent's decision to value the parcels individually, rather than as a single economic unit. Reference was made to assessments of similarly-configured car dealerships owned by Appellant in two (2) other counties in which the dealerships were valued on a collective basis as single properties, even though the dealerships were each comprised of multiple parcels. Appellant questioned why Respondent did not value subjects in similar fashion. Appellant also contended the subject properties could not be put to a different type of commercial use without great effort and expense in removing or completely reconfiguring the building situated on Lot 1. Appellant further stated there could potentially be

environmental issues related to the auto shop, which would further complicate efforts to convert the property or building to a different use.

Respondent explained subjects were valued individually because they are three (3) separate legal parcels and could be bought and sold on an individual basis. Respondent noted the current configuration of the parcels was not the same as when Appellant purchased the properties in 2015. At the time of purchase the dealership was comprised of four (4) parcels. After Appellant's purchase, lot line adjustments were made to three (3) of the parcels, and one (1) of the adjusted parcels was sold or transferred to the owner of an adjacent commercial property. In Respondent's view, this recent transfer demonstrated the subject properties could easily be sold individually and therefore it was proper to assess subjects as stand-alone commercial parcels.

For value evidence, Appellant provided a purchase and sale agreement from August 2016 wherein Blaine County had agreed to sell a 2.74 acre improved property located on the same street as subjects for \$15.50 per square foot. Ultimately, the sale did not close, however, Appellant contended the contract price was strong evidence of value for a large commercial property located on the city's main commercial boulevard. Appellant also referenced the 2015 sale of a couple lots situated across the street from subjects for \$25 per square foot. It was explained the seller was the same party who sold the subject parcels to Appellant. Appellant opined the lots across the street sold at a higher price rate because the parcels were vacant at the time of sale so the buyer did not have to demolish any existing structures. After the sale, the lots across the street were combined and a grocery store was constructed.

Respondent provided sales information to support the individual assessed values of the subject properties. For Lot 1A, Respondent offered three (3) commercial sales from 2016 located on the same street as subjects. The sale properties, ranging in size from 8,973 to 10,803 square feet, were all smaller than Lot 1A which has 15,682 square feet. One (1) of the sale properties was improved and the other two (2) were vacant at the time of sale. Respondent made adjustments to the sales for lot size and location, and also removed the value of the improvements for Sale No. 1. Adjusted sale prices ranged from \$28.95 to \$30.55 per square foot. Lot 1A was assessed at \$414,428, or \$26.43 per square foot.

In valuing Lot 2A, Respondent utilized the same three (3) sales used in determining the value of Lot 1A. Similar adjustments were made to the sale prices, which ranged from \$350,000 to \$600,000, or from \$32.90 to \$39.01 per square foot. The only difference was in the location adjustments. Because Lot 2A fronts the main commercial boulevard, the location adjustments were less than those in the analysis of Lot 1A, which sits behind Lot 2A with no frontage on the main commercial road. The result was adjusted sale prices from \$30.60 to \$32.46 per square foot. Lot 2A was assessed at \$438,413, or \$27.96 per square foot.

For the remaining subject parcel, Lot 1, Respondent relied on the same three (3) sales described above, plus an additional commercial sale. This additional sale was of the unimproved lot across the street from subjects, which sold in February 2016 for \$1,634,631, or \$20.41 per square foot. The size of the sale lot was 80,107 square feet, compared to 49,658 square feet for subject Lot 1. Respondent made heavy size adjustments to the sales in its analysis, as well as a small location adjustment to one (1) of the sales. Adjusted sale price rates

ranged from \$17.77 to \$28.57 per square foot. Lot 1, minus the value of the improvements, was assessed for \$799,494, or \$16.10 per square 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, 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 three (3) generally accepted methods for determining market value include the sales comparison approach, the income approach and the cost approach. *Merris v. Ada County*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). In this case the parties both provided information relevant to the sales comparison approach.

The primary difference between the parties' respective approaches to valuing the subject properties is whether the parcels should be valued individually or collectively. While subjects are separate legal parcels, they are currently, and have historically, been used together as an automotive dealership. This combined use is an important consideration when assessing

property for purposes of taxation. Idaho Code § 63-208(1) provides,

It shall be the duty of the state tax commission to prepare and distribute to each county assessor and the county commissioners within the state of Idaho, rules prescribing and directing the manner in which market value for assessment purposes is to be determined for the purpose of taxation. The rules promulgated by the state tax commission shall require each assessor to find market value for assessment purposes of all property, except that expressly exempt under chapter 6, title 63, Idaho Code, within his county according to recognized appraisal methods and techniques as set forth by the state tax commission; provided, that *the actual and functional use shall be a major consideration* when determining market value for assessment purposes. (Emphasis added).

As the statute clearly states, a property's actual and functional use shall feature prominently in determining its market value for assessment purposes. Applied to the case at bar, consideration must be given to the fact subjects, as of the assessment date, were collectively operated as a single business enterprise. The fact subjects could technically be sold individually is not controlling when estimating market value for purposes of assessment. Given the actual and functional use as a car dealership, we find subjects should be valued as a single unit not as three (3) separate stand-alone parcels.

Having determined subjects should be valued together, the question of market value is simple in this particular case. Respondent stated if the parcels were to be valued as a single unit, the assessed value would be \$16.10 per square foot, which value rate Appellant agreed was reasonable. This rate was also supported by the sales information provided by the parties. As such, the Board will adopt the \$16.10 per square foot rate for subjects and will adjust the assessed values accordingly.

In appeals to this Board, Appellant bears the burden of proving error in subjects' valuation by a preponderance of the evidence. Idaho Code § 63-511. Given the evidence presented in

this matter, we find the burden of proof satisfied. The decisions of the Blaine County Board of Equalization are therefore modified with respect to Lot 1A and Lot 2A as indicated below, and affirmed with respect to Lot 1 because its land was already valued at \$16.10 per square foot.

Modified values

Parcel No. RPH0407001001A (Appeal No. 17-A-1044)

Land value: \$252,480

Parcel No. RPH0407001002A (Appeal No. 17-A-1046)

Land value: \$252,480

Affirmed values

Parcel No. RPH04850010010 (Appeal No. 17-A-1045)

Land value: \$799,494

Improvements value: \$195,268

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decisions of the Blaine County Board of Equalization concerning the subject parcels be, and the same hereby are, MODIFIED and AFFIRMED as detailed 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 the above-ordered values for the current tax year shall not be increased in the subsequent assessment year.

Silver Creek Property Holdings
Appeal Nos. 17-A-1044, 17-A-1045 and 17-A-1046

DATED this 8th day of January, 2018.