

BEFORE THE IDAHO BOARD OF TAX APPEALS

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| RUSSELL AND PATRICIA ALWAY, |) | |
| |) | |
| Appellants, |) | APPEAL NO. 17-A-1070 |
| |) | |
| 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 denying the protest of valuation for taxing purposes of property described by Parcel No. RP059550010090A. The appeal concerns the 2017 tax year.

This matter came on for telephonic hearing on January 3, 2018 before Hearing Officer Cindy Pollock. Appellants Russell and Patricia Alway were self-represented. Acting Chief Deputy Assessor Al Ribeiro 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 an improved residential property.

The decision of the Bonner County Board of Equalization is affirmed.

FINDINGS OF FACT

The assessed land value is \$765,995, and the combined value of the improvements is \$123,900, totaling \$889,895. Appellants agree with the assessed value of the improvements, however, contend the correct land value is \$491,250, for a total value of \$615,150.

The subject property is a 1.88 acre parcel situated along the southeastern shores of Priest Lake. Though subject enjoys 194 front feet on the lake, the lot's overall topography is steep and the beachfront is mostly rocky. Access to the waterfront from the residence is via a series of stairs and forty-three (43) steps. The property is improved with a multi-level 1,740 square foot residence constructed in 1992. Other improvements include a small guest cabin with a storage area underneath, extensive decking around the main residence, and a boat dock.

Appellants purchased the subject lot in June 2016 for \$448,000 at an auction sponsored by the State of Idaho. Prior to purchase, the lot was government-owned and Appellants leased it from the State. Appellants were permitted to construct the improvements currently situated on the lot. Subject, along with other lakefront lots, were auctioned in June 2016. Fee appraisals for each auction lot, as bare unimproved ground, were commissioned in late 2015 and minimum bid prices at the auction were set to match each site's appraised value. Subject's land was appraised at \$448,000¹, which matched the purchase price at auction. In Appellants' view, the lot's recent purchase price, which related to the independent fee appraisal, represented the best evidence of the lot's current market value.

Appellants also offered some limited information regarding seven (7) Priest Lake improved sales. Two (2) of the sales occurred during 2015 and one (1) in 2016. Dates for the other sales were not provided. Bedroom and bathroom counts were indicated, though

¹The appraisal valued subject's improvements at \$285,000, which were not included in the auction sale because Appellants already owned the improvements.

no other details concerning the improvements or underlying lots were provided. Sale prices ranged from \$350,000 to \$633,000.

Appellants also submitted information concerning eight (8) other sales from 2015 and 2016. Here the bedroom and bathroom counts, plus the total square footage of the residences were noted, but other physical details were not. These sale prices ranged from \$477,000 to \$650,000.

Lastly, Appellants provided a one-page excerpt from a realtor's "Comparative Market Analysis." Six (6) sale prices were represented on a bar graph. The average of these price points was \$491,250, which the analysis suggested was the recommended list price for subject's land.

Respondent explained the process by which properties around Priest Lake, including subject, were assessed. In 2016, Respondent undertook a sales study of the entire lake. The sales revealed four (4) distinct market areas around the lake. In addition to the sales study, Respondent physically inspected every waterfront parcel and assigned an overall site rating to each based on a particular lot's beach type and lot topography. Respondent then examined the sales according to the market areas and developed base land value rates for each site rating within each market area. The base land rate was then further adjusted depending on the characteristics of a particular lot, such as an excessively large frontage. Subject's site rating is "fair", which was noted to represent the lowest rating on the main body of the lake.

Focusing on subject's specific land valuation, Respondent provided information

concerning two (2) waterfront sales from subject's market area with the same "fair" site rating. The 2015 sale concerned an improved waterfront parcel with seventy (70) front feet on the lake, which sold for \$350,000. After removing the assessed value of the improvements, Respondent calculated a residual land price of \$228,080, or \$3,258 per front foot. The sale from 2014 was also an improved property. This parcel, with 60 waterfront feet, sold for \$529,000, with a residual land price indication of \$359,710, or \$5,995 per front foot. Subject's 194 front feet are assessed at \$3,881 per front foot, which Respondent noted took into consideration subject's excessive frontage.

Respondent also furnished a copy of the fee appraisal used to set subject's minimum lot price at auction and questioned some aspects of the analysis. First, Respondent pointed out the appraisal made inconsistent topography adjustments to the sales without any explanation for the variances. Respondent also expressed concern with the appraisal making an adjustment based on whether a property had access to public water and sewer services or if such services were privately-owned. According to Respondent's studies, the market does not differentiate between whether these services are private or public. Lastly, it was noted the appraisal failed to make any adjustment for location on the lake. For example, Respondent explained prices are typically higher on the west side of the lake compared to the east side, yet the appraisal did not include location adjustments. This same concern was also expressed with respect to Appellants' other sales information.

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) recognized methods for determining market value. *Merris v. Ada Cnty.*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). Residential property is typically valued using the sales comparison approach.

Both parties provided sales information for the Board's consideration, including the auction purchase of the subject lot in June 2016 for \$448,000. While the Board appreciated Appellants' efforts in compiling sales data, there were some concerns. First, physical details of the referenced sale properties were mostly absent from the record,

thereby making it impossible for the Board to make meaningful comparisons between subject and the sale properties. Second, the sales were located all around the lake, with no adjustments made for this location characteristic. Location has long been recognized as an important driver of value, and therefore the consideration for this factor should feature prominently in market value analysis. On the whole, Appellants' sales information was found to be incomplete and lacking in terms of a comparative analysis between the subject and the sale properties.

The Board was likewise hesitant to place much weight on the subject lot's recent purchase at auction. In general, auction prices are viewed skeptically in market value appraisals due to the atypical motivations often associated with the parties and the increased risk the final auction price might not be at market value. In the subject's case an added element is only the bare lot was purchased at auction because Appellants already owned the improvements, which is not typically the case for residential sales of improved property. It is noteworthy the appraisal report connected with the auction stated auction sales should not be used as primary market data because the prices were "negotiated" to match the appraised values, rather than the properties being listed on the open market with the buyer and seller acting in their own best interests. Even without such concerns, the Board would be hesitant to rely too heavily on a single sale. "[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 appeals to this Board, Appellants bear the burden of proving error in subject’s valuation by a preponderance of the evidence. Idaho Code § 63-511. We did not find the burden of proof satisfied in this instance. Though Appellants did provide some market data, it was found to be incomplete and without accompanying analysis to demonstrate subject’s assessed value is erroneous. To support the assessed land value, Respondent relied on two (2) sales of similarly rated parcels from subject’s immediate neighborhood. The subjects lot’s assessed value rate fell between the value rates indicated by the two (2) comparable sales. On the whole, subject’s assessed value appears reasonable given the sales information provided. We also did not find error in Respondent’s methodology of assigning a site rating to each waterfront parcel according to the specific market area in which the property is located. In the end, Respondent’s value conclusion was judged to be the more supported and reasonable estimate.

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 20th day of February, 2018.