

BEFORE THE IDAHO BOARD OF TAX APPEALS

APARTMENTS R US, LLC,)	
)	
Appellant,)	APPEAL NO. 17-A-1277
)	
v.)	FINAL DECISION
)	AND ORDER
TWIN FALLS COUNTY,)	
)	
Respondent.)	
_____)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Twin Falls County Board of Equalization denying the protest of valuation for taxing purposes of property described by Parcel No. RPT0111000000BA. The appeal concerns the 2017 tax year.

This matter came on for hearing November 15, 2017 in Twin Falls, Idaho before Board Member David Kinghorn. Attorney John Lezamiz appeared at hearing for Appellant. Twin Falls Deputy Prosecuting Attorney Nancy Austin 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 improved residential property.

The decision of the Twin Falls County Board of Equalization is modified.

FINDINGS OF FACT

This appeal was heard as part of a series of appeals involving largely similar issues, so the parties stipulated the evidentiary records in those other appeals be considered in this appeal, where relevant. As such, the Board hereby takes notice of the records created in Appeal Nos. 17-A-1267 through 17-A-1277.

The assessed land value is \$36,141, and the improvements' value is \$499,930, totaling \$536,071. Appellant contends the correct total value is \$400,000.

The subject property is a 1.66 acre residential parcel located along the Perrine Coulee waterway in Twin Falls, Idaho. The property is improved with two (2) four-plexes constructed in 1998. The two-story buildings, each 4,408 square feet in size, are situated on either side of a paved parking area. Each of the eight (8) rental units include two (2) bedrooms and one (1) bathroom and rent for \$650 per month.

Appellant questioned the increase in the value of subject's improvements for the current tax year given the fact no improvements or changes had been made to the property. Appellant's other primary concern was the lack of consideration given to subject's location next to the Perrine Coulee which regularly floods. Appellant noted subject is located in a "high risk" flood plain according to recent FEMA flood hazard maps. Appellant explained flooding has occurred on the subject property at least four (4) of the last seven (7) years. Photographs depicting flooding in 2015 were provided. Respondent was unaware subject is located in a high risk flood plain, however, maintained no adjustment to subject's value was warranted because there was insufficient market data to support a quantitative adjustment.

For value evidence, Appellant offered information concerning a four-plex property located within one (1) mile of subject which sold in September 2016. The property was constructed in 1971, however, Appellant characterized the sale property as well-maintained and similar in condition to the subject. The four (4) rental units, each with living space on the main level and in the basement, total 8,400 square feet in size. Though regarded as overall similar to subject, Appellant identified several factors which made the sale property superior, including; 1) the sale

property has brick exterior compared to subject's vinyl siding, 2) the sale property has covered carports for each unit whereas subject has no covered parking, 3) the sale property includes built-in storage units, 4) the sale property consists of three (3) bedroom units instead of two (2) bedroom units like subject, 5) the projected monthly rent is \$1,000 for the sale property compared to only \$650 per unit for subject, and 6) the sale property is not located in a flood zone. The property sold for \$380,000, or roughly \$45 per square foot after removing the associated land value. Appellant applied this rate to subject's square footage and calculated a total value of \$400,000, including the value of the land.

Respondent contested the comparability of the sale property provided by Appellant. First it was noted the sale property was not a four-plex, but rather two (2) duplexes situated on a single lot. Also highlighted was the difference in design between the two (2) properties. The subject buildings are two-story structures with living area on the main level and the second floor. The sale property, by contrast consisted of living area on the main level and in the basement, which Respondent stated carried less value than above-grade living space. Lastly, Respondent was concerned with the difference in age between the sale property, constructed in 1971, and subject, constructed in 1998.

Respondent provided information concerning four (4) recent sales of four-plexes. Each sale property was improved with a single four-plex building. The design of the sale properties, with living area on the main floor and second story, was noted to be similar to subjects' two (2) four-plexes. Respondent also highlighted the sale properties were similar in age to subject and each had a "fair" class rating like subject. Sale prices ranged from \$305,000 to \$330,000. Respondent removed assessed land values from the respective sale prices, leaving residual

improvement values ranging from \$275,368 to \$300,599. Further adjustments were made for differences compared to subject such as size, garage, bedroom count, and design and appeal. After adjustments, the improvement values varied from \$254,168 to \$278,199. Respondent concluded a value of \$254,000 for each subject four-plex.

Respondent further explained an error was discovered when reviewing subject's property records. In prior years subject's improvements received an upward 3% adjustment for design complexity. Noting the subject buildings are simple rectangular structures, Respondent contended the adjustment factor should be reduced, thereby reducing the value of the improvements under the cost approach to \$483,804.

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 income approach, and the cost approach represent the three (3) recognized methods for determining market value. *Merris v. Ada County*, 100 Idaho 59,

63, 593 P.2d 394, 398 (1979). The sales comparison approach is typically used for estimating the market value of residential property.

Both parties offered sales information for the Board's consideration. Appellant relied on a single sale of rental property in the general neighborhood. Despite the sale property being characterized as superior in several aspects, Appellant regarded the sale as a good indicator of subject's current market value.

Upon closer review, the Board is not convinced Appellant's sale property is comparable to subject. To start, the sale property is improved with two (2) duplexes, whereas subject's improvements include two (2) four-plexes. Though similar in total square footage, the rental units of the sale property are roughly double the size of subject's individual rental units. Another concern was the difference in design, with all of subject's living area being above-grade whereas approximately one-half ($\frac{1}{2}$) of the living space in the sale property was below-grade. Lastly, the sale property is notably older than subject. Appellant did not make adjustments for any of these factors.

Respondent, on the other hand, provided a sales comparison analysis using four (4) recent four-plex sales. The sale properties' four-plexes were generally similar to subject's in terms of square footage, age, design, quality, and condition, albeit subject has two (2) four-plexes, not one (1). Adjustments were made for differences between the sale properties and subject. Respondent concluded a value of \$254,000 for each of subject's four-plexes. Respondent's adjustments appeared reasonable and the accompanying analysis was generally well-received by the Board.

At hearing, Respondent discovered an error in subject's valuation and requested a

correction be made. It was reported a 3% upward “complexity” adjustment was applied to the value of subject’s improvements. Respondent explained subject’s design is not complex and therefore the adjustment should be removed. We agree the adjustment factor should be removed and we accept Respondent’s revised improvements value of \$483,804.

While the Board preferred Respondent’s valuation approach, there was one glaring concern with the final analysis. No consideration was given for subject being located in a high-risk flood zone with regular flooding. Respondent reluctantly agreed the value of a property situated in a flood plain would likely be negatively impacted, however, argued an adjustment should not be made in this case because there was no data to support a specific adjustment. We disagree.

In the Board’s experience, flooding issues can generally negatively impact market value in a material way. Any potential buyer of subject would necessarily be notified of the high risk flood plain status. According to opinions Appellant obtained from local real estate professionals, flooding issues would likely increase the amount of time a property would be on the market and notably decrease the sale price once the property does sell. It is also important to note subject does regularly flood. Though we agree an adjustment is warranted, the Board is hesitant to make too large an adjustment without more support and more complete information about the potential impacts on the property’s future use. Therefore, we will adjust subject’s total value down by 10%, which in the Board’s view is judged reasonable given the circumstances presented here.

In accordance with Idaho Code § 63-511, the burden is Appellant’s to establish error in subject’s valuation by a preponderance of the evidence. Based on the evidence provided we

find the burden of proof satisfied and a downward adjustment to subject's assessment proper in this instance. Respondent's valuation analysis was generally superior, however, lacked an adjustment for subject's flood plain location. We therefore begin with Respondent's revised total value of \$519,945, and adjust it down to \$467,950.

The decision of the Twin Falls County Board of Equalization is modified accordingly.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Twin Falls County Board of Equalization concerning the subject parcel be, and the same hereby is, MODIFIED to reflect a decrease in land value to \$32,527 and a decrease in the value of the improvements to \$435,423, totaling \$467,950.

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 that under certain circumstances the above ordered value for the current tax year shall not be increased in the subsequent assessment year.

DATED this 6th day of February, 2018.