

BEFORE THE IDAHO BOARD OF TAX APPEALS

DALBY GIFT TRUST,)	
)	
Appellant,)	APPEAL NOS. 17-A-1315
)	& 17-A-1316
v.)	
)	FINAL DECISION
BONNER COUNTY,)	AND ORDER
)	
Respondent.)	
)	
)	
)	

RESIDENTIAL PROPERTY APPEALS

These appeals are taken from decisions of the Bonner County Board of Equalization denying protests of valuation for taxing purposes of properties described by Parcel Nos. RP57N02W269600A and RP57N02W269500A. The appeals concern the 2017 tax year.

These matters came on for hearing October 24, 2017 in Sandpoint, Idaho before Board Member Kenneth Nuhn. Trustee Susan Dalby appeared at hearing for Appellant. Assessor Jerry Clemons represented Respondent.

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

The issue on appeal concerns the market values of two (2) improved lakefront properties.

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

FINDINGS OF FACT

Appeal No. 17-A-1316 (Parcel No. RP57NO2W269500A)

The assessed land value is \$320,200, and the improvements' value is \$67,280, totaling \$387,480. Appellant contends the correct total value is \$234,425. This parcel contains .23 acres and is improved with a one-story residence built in 1975. The assessed value of the land with 80 waterfront feet is \$307,200, and the onsite improvements are assessed at \$13,000.

Appeal No. 17-A-1315 (Parcel No. RP57NO2W269600A)

The assessed land value is \$349,000. Appellant contends the correct total value is \$211,145. This .36 acre parcel is improved with a manufactured home which was not part of this appeal. The assessed value of the land with 100 waterfront feet is \$336,000, and the onsite improvements are assessed at \$13,000.

The above parcels are located south of Sandpoint in Sagle, Idaho. The properties are accessed from Bottle Bay Road which crosses the Burlington Northern rail line. Because the properties are contiguous, and the parties presented the same market value evidence for both, the Board will consolidate these appeals for purposes of issuing this decision.

Appellant explained subjects are two (2) of only four (4) properties directly impacted by Burlington Northern's planned double tracking and the construction of a second train bridge across Lake Pend Oreille. The plan for double tracking and the new bridge was announced in 2014, and reconfirmed in 2017. The project will start just south of subjects and continue to the new bridge. Afterwards the residences' back doors will open onto the Burlington Northern right-of-way. Further, it was reported the sole one (1) lane access to subjects is shared with the railroad. The lane passes through a gate and across the tracks to transit the railroad's 200 foot wide right-of-way. Appellant explained the track expansion will impact subjects' market values and maintained Respondent has not accurately taken this into account.

Appellant reported a property sale located adjacent to subjects, which property would also be affected by the Burlington Northern construction plans. This property sold in the summer of 2014 for \$375,000. Appellant reported the listing realtor had heard from potential buyers the railroad's plans limited the interest in this property. Although Burlington Northern had not started

the proposed work, information about the plans would be disclosed to a potential buyer. In 2014 and 2015 this neighboring sale property was reportedly assessed for \$713,960. Appellant maintained the purchase price was 60.5% of the 2017 assessed value. Therefore, Appellant concluded subjects should be assessed at 60.5% of their current assessed values.

Respondent explained subjects' waterfront is unique due to the railroad-crossing access and pending construction plans. The parcels situated like subjects were adjusted downward by 20% to account for the negative influence of the railroad tracks and for the private crossing being the only access to the parcels. Respondent noted hundreds of parcels in the county require private railroad crossings to access them, and hundreds more also border and are influenced by active rail lines. Respondent maintained assessed values are not reduced due to loss of value during construction, as this would be considered a temporary change. Lastly, it was reported all the permits had not yet been obtained by Burlington Northern and the project may not begin for some time.

Respondent explained the 2014 sale provided by Appellant was sold during a time when the market was depressed and therefore did not accurately reflect the current market. Current market data in subjects' area reflected a "robust" growth rate since the 2014 sale took place.

Respondent provided information and analysis on three (3) 2016 waterfront sales which were also characterized as very close to railroad tracks to compare with subjects. One (1) of the sale's land was rated good and had similar location and physical features as subjects. The remaining sales were rated average and fair. The sales involved improved parcels with lakefronts that ranged from 103 to 372 front feet. Sale prices ranged from \$469,000 to \$744,500. After extracting the assessed values of the associated improvements, Respondent

calculated land value residuals from \$272,620 to \$492,540, or price rates from \$849 to \$3,420 per lakefront foot. Respondent also applied adjustments for differences in frontage size. After the extractions and adjustments, the price per-front-foot indications ranged from \$2,954 to \$4,717. Subjects were rated “good” and comparing the one (1) “good” rated sale indicated per front foot conclusions of \$4,717 and \$4,134 when directly compared to each subject. Subjects’ land assessments on a similar per front foot basis were \$3,840 and \$3,360, respectively.

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. There are three (3) approaches to value, 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); IDAPA 35.01.03.217.02. Residential property is commonly valued using the sales comparison approach which considers the information from recent sales of proximate and similar property.

The parties agree, and the record is clear, subjects are located near railroad tracks and

may further be impacted by Burlington Northern's expansion plans in the near future. Appellant says the issue here centers on how the prospect of "future" railroad construction impacts the subject parcels' current values. Appellant further argued subjects are unmarketable because of the plans for a future double track line, the single lane access road, and future construction. Respondent countered many properties within the county are impacted by their near proximity to rail lines. Further, Respondent explained market prices had increased significantly since the 2014 sale referenced by Appellant. Respondent considered subjects' location issues and other characteristics and applied a special 20% downward adjustment to the base land values.

While there is no dispute subjects have and will continue to face some uncertainty as the Burlington Northern expands and develops, actual construction and other direct impacts were not yet happening as of January 1, 2017, the controlling date for the current assessments. The record suggested there may be new issues in the future and subjects' values may change accordingly. The standard for the assessor is to "find market value for assessment purposes of all property, except that expressly exempt . . . according to recognized appraisal methods and techniques" per Idaho Code § 63-208. In valuing subjects, Respondent considered information from multiple recent sales of lakefront property. A special adjustment was made in each of the subject's 2017 land assessments for the special nearness of railroad tracks and the access lane's features. In contrast, Appellant's values were derived from a calculation involving a single adjacent sale which took place in 2014. The older sale was used to develop a sale-to-current assessed value ratio. The ratio was then applied to subjects' 2017 assessed values to calculate Appellant's value claims.

Appellant's sale was a neighboring property, one (1) of four (4) parcels in subjects'

immediate area sharing location and access features. The sale property was improved with a 1,779 square foot residence and had 174 waterfront feet. The sale was comparable to subjects, however, adjustments would need to be made for the time of sale and the differences between the sale and subject properties. As it stands, the property sold more than a couple years ago for an amount close to subjects' current assessed values. The Board found the record to support that lakefront property had appreciated in value since the time of the 2014 sale. Ultimately, comparing an assessed value to a 2014 sale price to calculate a 60.5% adjustment for subjects' current assessed values was not found to be a recognized appraisal method, nor to offer good evidence of subjects' current market values.

By contrast Respondent offered information and analysis of multiple 2016 sales of improved waterfront parcels in subjects' general area to support its value conclusions. Respondent calculated land residual values to determine indicated front foot price rates for the land. After adjustments for the size of frontage, the price rates for land ranged from \$2,954 to \$4,717. The subject parcels are assessed respectively at indicated value rates of \$3,840 and \$3,360 per front foot. On the whole subjects' assessments appeared reasonable given the sales information in record. Further Respondent's value considerations more closely comported with recognized appraisal methodology.

In accordance with Idaho Code § 63-511, the burden is with the Appellant to establish Respondent's valuation is erroneous by a preponderance of the evidence. In these appeals, the burden of proof was not met. Respondent's valuations were supported and reasonable. Appellant did not present superior appraisals. Accordingly, the Board will affirm the value decisions of the Bonner County Board of Equalization.

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, AFFIRMED.

DATED this 24th day of January, 2018.