

BEFORE THE IDAHO BOARD OF TAX APPEALS

GEM 2000, LP,)	
)	
Appellant,)	APPEAL NO. 17-A-1225
)	
v.)	FINAL DECISION
)	AND ORDER
CUSTER COUNTY,)	
)	
Respondent.)	
_____)	

COMMERCIAL PROPERTY APPEAL

This appeal is taken from a decision of the Custer County Board of Equalization denying the protest of valuation for taxing purposes of property described by Parcel No. RP14N19E330605A. The appeal concerns the 2017 tax year.

This matter came on for hearing November 8, 2017 in Challis, Idaho before Board Member David Kinghorn. George McQuiston appeared at hearing for Appellant. Assessor Jacque Bruno 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 commercial property.

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

FINDINGS OF FACT

The assessed land value is \$21,470, and the improvements' value is \$154,690, totaling \$176,160. Appellant contends the correct total value is \$170,000.

The subject property is a 1.78 acre commercial tract located in or near Challis, Idaho. The property is improved with a 2,808 square foot building constructed in 1992. This main improvement is used by an automobile repair shop business. The property is further improved with two (2) detached buildings used for storage purposes. These latter structures were built in

1995 and together have a total of 2,291 square feet. There is also an older pole outbuilding with 204 square feet of area.

Appellant purchased subject in 2016 for \$170,000. Reportedly the property had been on and off the market for roughly three (3) years prior to the purchase. The original asking price was \$229,000, which was later reduced to \$199,000. Evidently after several years on the market with no sales activity, the property was taken off the open market and offered via private sale. Appellant contended subject's current assessed value should match the recent purchase price.

Respondent explained commercial sales in the area have been limited over the past few years. Information concerning three (3) improved commercial sales was offered, though details regarding the commercial improvements were not shared. The first sale property was a .075 acre lot which sold in February 2014 for \$48,000. The remaining two (2) sales transpired during mid-2015. Lot sizes were .448 and .068 acres, and sale prices were \$55,000 and \$85,000, respectively. Respondent maintained subject's assessed value was fair and reasonable given the available market data. The property's assessed value was based on a cost approach to value which was reduced an additional \$50,000 after the subject sale.

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) approaches 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). All three (3) approaches to value can be used to estimate the value of commercial property, however, the sales comparison and income approaches are often used when the property can be rented, as is the case here.

Appellant’s value evidence consisted solely of subject’s purchase in 2016 for \$170,000. In Appellant’s view, subject’s purchase price was market value and the current assessment should match accordingly. While it is generally agreed the recent arm’s-length sale of the property being valued is good evidence of market value, the thin record in this case suggested subject’s purchase was distressed. Details surrounding the purchase were not discussed in detail, however, with subject being purchased in a private sale there are questions about whether the purchase was arm’s-length and whether the purchase price represents the best indicator of current market value. The record was void of documentation associated with the subject property’s listing, nor was there paperwork associated with the sale agreement and ultimate closing. With lingering questions, the Board could not rely on subject’s purchase as the sole basis for determining the parcel’s value.

Respondent provided limited data concerning three (3) improved commercial sales; one (1) from 2014 and two (2) from 2015. Other than lot size and the improvements’ assessed

values, physical details concerning the sale properties were absent, which made it difficult to make any direct comparisons with subject. Though the details and explanations underlying the cost approach were thin, we found Respondent relied on this approach to determine subject's assessed value. The Board would have preferred more information about the specifics of the cost approach, however ultimately, given the Board's experience and weighing the evidence in record, we found subject's assessed value was reasonable. The assessed value was close to subject's indicated 2016 purchase price, albeit slightly lower.

Idaho Code § 63-511 places the burden on Appellant to establish subject's valuation is erroneous by a preponderance of the evidence. As stated earlier there were too many questions surrounding the circumstances of subject's marketing and purchase for the Board to rely exclusively on the reported sale price. As subject's purchase price was the only value evidence offered by Appellant, we do not find the burden of proof satisfied.

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

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Custer County Board of Equalization concerning the subject parcel be, and the same hereby is, AFFIRMED.

DATED this 5th day of February, 2018.