

BEFORE THE IDAHO BOARD OF TAX APPEALS

SCOTT AND SHARLA HARRIS,	)	
	)	
Appellants,	)	APPEAL NO. 17-A-1026
	)	
v.	)	FINAL DECISION
	)	AND ORDER
KOOTENAI COUNTY,	)	
	)	
Respondent.	)	
_____	)	

**RESIDENTIAL PROPERTY APPEAL**

This appeal is taken from a decision of the Kootenai County Board of Equalization denying the protest of valuation for taxing purposes of property described by Parcel No. V8400001015A. The appeal concerns the 2017 tax year.

This matter came on for hearing October 26, 2017 in Coeur d'Alene, Idaho before Hearing Officer Kenneth Nuhn. Appellants Scott and Sharla Harris were self-represented. Assessor Mike McDowell 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 Kootenai County Board of Equalization is affirmed.**

FINDINGS OF FACT

The assessed land value is \$536,018, and the improvements' value is \$515,420, totaling \$1,051,438. Appellants agree with the value of the improvements, however, contend the correct land value is \$447,458, or a total value of \$962,878.

The subject property is situated along the southwestern shore of Hayden Lake in an area locally referred to as Berven Bay South. The .494 acre waterfront parcel enjoys

119 front feet on the lake. The property is improved with a 5,670 square foot multi-level custom residence constructed in 2010. Other improvements include an attached garage and a boat dock. Subject's topography is steep between the residence and the beachfront. A trail is used to access the dock from the dwelling.

Appellants contended subject's land value was inconsistent compared to others in the immediate neighborhood. Appellants provided land assessments for Lots 8, 9, and 10. Each of these lots had 120 waterfront feet and each were noted to enjoy views similar to subject's. The assessed land value for each of these parcels is \$447,458 for the 2017 tax year, which Appellants noted was lower than subject's land assessment of roughly \$536,000.

Appellants also offered information concerning the recent sale of an adjacent vacant waterfront lot. The sale lot was .494 acres in size with 115 front feet on the lake. The property sold in November 2015 for \$315,000 and again in December 2016 for \$375,000. Noting subject's land and view characteristics closely approximated those of the sale lot, Appellant argued subject's land value should be reduced accordingly.

Respondent explained there are eight (8) distinct geoeconomic areas around Hayden Lake, each with a unique set of shared characteristics. In 2012, Respondent conducted a study of all waterfront parcels on Hayden Lake. Each parcel was evaluated based on various physical characteristics such as topography, beachfront, water quality, and other relevant factors, and an overall characteristic rating was assigned. Respondent noted characteristic ratings and corresponding base land value rates were unique to each

specific area, meaning a typical overall characteristic rating and value rate in subject's area would likely be different than what is typical in another geo-economic area.

Subject's neighborhood was described as a desirable area on Hayden Lake. Respondent reported the typical water frontage size for lots in the neighborhood is 100 front feet. Most of the lots in the geo-economic area have steep slopes leading from the residences to the water. Most of the neighborhood's residences were constructed in the 1960s and 1970s, though subject's residence was built in 2010. Respondent pointed to Lots 1 through 12 in the subdivision as representative of average lots in the area. Subject, which is Lot 15 and is situated on the tip of Point Hayden, was regarded as superior to an average lot.

Respondent studied the Overall characteristic rating ratings for subject's neighborhood and determined a base land value rate of \$3,500 per front foot for 2013. The base rate remained steady until 2015 when an upward adjustment of 10% was applied based on relevant sales activity at the time. The rate changed again for the current tax year as a result of the vacant lot sale referenced above by the Appellants. Respondent noted the property sold twice within roughly one (1) year at appreciating prices. The November 2015 purchase price was \$315,000 and the December 2016 purchase price was \$375,000. Based on this information, Respondent concluded an upward adjustment of 10% to the base land value rate in subject's area was needed to reflect current market conditions.

Appellants questioned why subject's land value of \$536,018 was so much higher

than the purchase price of \$375,000 for the adjacent lot despite the lots sharing many key physical characteristics. Respondent noted both subject and the sale lot were considered superior to average lots in the development. The difference in the properties' front foot rates was due to subject being an improved parcel whereas the sale property was a vacant lot. Respondent explained current and historical market data suggests the land value of an improved property is typically higher than for a vacant lot. Many different factors were said to contribute to the value difference, such as an improved parcel already having a set of onsite improvements in place and functioning as a developed property at the time of sale.

Respondent valued subject as improved waterfront with a base land value rate of \$4,235 per front foot, which rate was applied to the first 100 feet of subject's frontage. Because subject's Overall characteristic rating was superior to the average rating in the geo-economic area, Respondent applied a 20% upward adjustment to the base rate, resulting in a valuation of \$508,200 for this primary portion of subject's frontage. The remaining nineteen (19) front feet were valued as vacant nonbuildable waterfront with a base rate of \$1,331 per front foot. A downward adjustment of 10% was applied here to account for the above-average size of subject's waterfront, which yielded a value of \$27,818 for the excess frontage.

Though not used to determine subject's valuation, Respondent also offered information concerning three (3) improved residential properties as general support for subject's total assessed value. As there were no recent improved sales from within

subject's neighborhood, Respondent's sales were located in other geo-economic areas. The sale properties were compared to subject and adjustments were made for various differences such as location, age, construction quality, condition, square footage, and other relevant factors. The adjusted sale prices ranged from \$1,019,610 to \$1,214,083. Respondent concluded a value of \$1,100,000 for subject, which was noted to closely approximate the total assessed value of \$1,051,438.

### 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). Residential property is often valued using the sales comparison approach which generally considers information concerning recent sales of similar property.

Of note in this case is both parties relied on the same sale in reaching their respective value conclusions. The parties agreed the adjacent sale lot shares many key physical traits with subject, including topography, view, and waterfront. And both parcels are considered above average within the neighborhood. In many respects the sale of the adjacent lot represents a good indicator of subject's land value. The problem, however, is subject is an improved residential property whereas the adjacent lot was vacant at the time of sale. The price paid represents the value of raw residential land, which in the Board's experience can be greatly different from the value of an improved residential lot. Subject is fully developed for residential use and functions as an improved residential property. Such development comes with notable costs and effort, which expenses would have to be factored into the adjacent lot to make it comparable to subject. Appellants' analysis did not include a consideration of this important factor. Respondent's valuation model, on the other hand, did keenly take into account this difference between the properties.

Though somewhat less persuasive, Respondent's sales comparison analysis offered further support for subject's current total assessed value. The referenced sale properties were located outside subject's lake area and thus required rather large location adjustments. That being said, the adjustments made to the sales appeared reasonable

on the whole, and the final value conclusion was in line with the sales information provided.

Appellants bear the burden of proving error in subject's valuation by a preponderance of the evidence. Idaho Code § 63-511. Both parties relied in part on the same value evidence, however, the Board found Respondent's consideration of subject's market value more thorough and supported. Respondent's analysis factored in the value difference between a raw residential lot and a developed homesite. Though both are similar residential uses, a developed residential homesite parcel generally commands a higher price in the marketplace because the work has already been done to put the property into a fully functioning residential use. Appellants did not account for this key distinction and its impact on subject's land value. Respondent also provided a supported consideration of subject's market value as improved.

Based on the evidence presented in this matter, the decision of the Kootenai County Board of Equalization is affirmed.

#### FINAL ORDER

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

DATED this 2<sup>nd</sup> day of February, 2018.