

BEFORE THE IDAHO BOARD OF TAX APPEALS

MATTHEW AND KIM LYNCH,	)	
	)	
Appellants,	)	APPEAL NO. 17-A-1016
	)	
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. RP059510010080A. The appeal concerns the 2017 tax year.

This matter came on for telephonic hearing January 3, 2018 before Hearing Officer Cindy Pollock. Appellants Matthew and Kim Lynch 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 \$652,522, and the improvements' value is \$180,990, totaling \$833,512. Appellants agree with the assessed value of the improvements, however, contend the correct land value is \$510,000, and the total value is \$690,990.

The subject property is a 4.88 acre parcel with 138 front feet along the northeastern

shores of Priest Lake. The lot's topography was described as gently sloped, and the beachfront as flat and sandy. The parcel is improved with a 2,342 square foot two-story residence. The residence was originally constructed in 1933, however, has been recently updated. Other improvements include a small detached outbuilding and a boat dock.

Appellants purchased the subject lot, as bare land, in a State-sponsored auction in June 2016 for \$510,000. Prior to purchase, Appellants leased the subject land from the State of Idaho, and were permitted to construct the improvements currently attached to the lot. This arrangement is not uncommon around Priest Lake, though significant efforts have been made in recent years to auction these State-owned cottage sites. As part of the June 2016 auction process, an appraisal of each auction lot was performed, and the minimum bid prices at auction were set to match each lot's appraised value. The recent appraisals concluded values for both land and improvements for each auction property, as applicable. In the case of subject, Appellants already owned the improvements so only purchased the lot. Appellants contended the State was constitutionally mandated to obtain the highest price possible and therefore subject's lot price at auction represented the best evidence of the land's current market value.

Respondent explained the process by which the assessed values around Priest Lake were determined. More than thirty (30) Priest Lake sales from 2013 through 2015 were studied, which helped identify four (4) distinct market areas around the lake. In addition to the sales study, Respondent inspected every lakefront parcel and assigned an overall site rating depending on a particular lot's topography and beach type. The sales

were then sorted into their respective areas and base land value rates were determined within each area according to site rating. Subject, due to its relatively level topography and sandy beachfront, was assigned a site rating of “good”.

Respondent relied on four (4) sales from the same market area to determine subject’s assigned land value. The sale properties, which varied in frontage from 75 to 165 front feet, shared the same “good” site rating as subject. Sale prices ranged from \$548,980 to \$1,200,000. Respondent removed the values of the associated improvements, leaving residual land value indications ranging from \$470,020 to \$928,240, or from \$4,700 to \$6,133 per front foot. Subject’s 138 front feet, as bare land before the consideration of site improvements, were assessed at \$4,634 per front foot, or \$639,522.

Respondent also provided the fee appraisal used to set subject’s purchase prices at auction and questioned some aspects of it. Respondent pointed out the appraisal made inconsistent adjustments for front footage and topography. It was also noted an adjustment was made for properties with privately-owned water and septic systems versus those with access to public services. Respondent reported its analysis of sales data did not indicate a price difference between properties with public services and those with private. Lastly, Respondent highlighted the lack of location adjustments, despite the sales data clearly showing prices on the west side of the lake are generally higher than on the east side.

#### 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 Cnty.*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). The sales comparison approach, which considers information concerning recent sales of similar property, is often used to estimate the market value of residential property.

Appellants contended subject’s land value should be reduced to match the recent auction price of \$510,000. While we understand Appellants’ position, we disagree subject’s purchase at auction represents the best evidence of current market value in this case. First, auction sales are generally viewed with caution when developing an opinion of market value due to the potential for atypical motivation on the part of the parties and

the increased risk the auction price may not be at market. Second, and more importantly, market value is not typically determined by 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). For these reasons, the Board was reluctant to rely too heavily on subject’s recent auction purchase.

Respondent’s sales information and accompanying analysis was better received by the Board. Four (4) sales of similar type lakefront properties were used to develop subject’s land valuation rate, which we note is lower than each of the sales on a front foot basis. Given the information provided, the Board is strained to find support for reducing subject’s land value.

In accordance with Idaho Code § 63-511, the burden is with Appellants to establish subject’s valuation is erroneous by a preponderance of the evidence. We did not find the burden of proof satisfied here. Appellants’ insistence that subject’s auction pricing is the best indicator of value was not supported by the other market value evidence presented. It was not lost on the Board that subject’s appraisal for the auction not only concluded a value of \$510,000 for the lot, but also \$440,000 for the improvements, or a total value of \$950,000. Subject’s total assessed value is \$833,512, which appears even more reasonable when considered in light of the total value concluded by the auction related

appraisal report. Appellants raised some concerns with Respondent's allocation of subject's value between land and improvements. It is not the allocation of value which is ultimately important, but whether the total value is correct. Respondent is charged with determining a property's full market value for purposes of assessment and taxation. Subject is an improved property. And based on the information provided in this matter, we are satisfied subject's total value is not overstated.

Given 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 20<sup>th</sup> day of February, 2018.