

BEFORE THE IDAHO BOARD OF TAX APPEALS

MELISSA MINAS AND MATTHEW AND KARI)	
MINAS,)	
)	APPEAL NO. 17-A-1035
Appellants,)	
)	FINAL DECISION
v.)	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. RP059570010070A. The appeal concerns the 2017 tax year.

This matter came on for telephonic hearing January 4, 2018 in Sandpoint, Idaho before Hearing Officer Cindy Pollock. Melissa Minas and Matthew Minas represented Appellants at hearing. Acting Chief Deputy Assessor Bonnie Berscheid 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 a vacant residential lot.

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

FINDINGS OF FACT

The assessed land value is \$704,551. Appellants contend the correct land value is \$525,000.

The subject property is a .86 acre parcel situated along the southeastern shores of Priest Lake. The parcel is unimproved and enjoys 156 front feet on the lake. The lot was

described as moderately sloped with a mostly brushy and rocky shoreline.

Appellants purchased the subject lot at a State-sponsored auction in September 2016 for \$525,000. As is common in some areas around the lake, the State of Idaho owns land parcels and leases these parcels to various parties. The lessees are allowed to construct residential improvements on the lots, which improvements remain the personal property of the lessees. A couple years ago the State decided to divest its interests in many of these leased cottage site parcels, so elected to auction the lots. Fee appraisals were commissioned and minimum bid prices were set to match each lot's appraised value. Subject was originally offered at auction in 2015, at which time the property was improved. No bids were received at the auction. The lessee at that time was then required to remove the improvements and the State retained ownership of the lot. Appellants purchased the subject lot, in its current unimproved state, at the 2016 auction at the appraised value of \$525,000. In Appellants' view, subject's current assessed value should match the recent auction price.

Respondent explained how values around the lake are determined. In 2016, Respondent conducted a study of all Priest Lake sales from 2013 through 2015, of which there were more than thirty (30). These sales were used to identify four (4) distinct market areas around the lake. As part of this effort, Respondent also inspected each lakefront parcel and assigned a site rating according to each lot's specific topography and beach type. The sales were then sorted by market area and base land value rates were determined for each site rating within the respective market areas. Subject was given a

site rating of “average” and its 156 front feet were assessed at \$4,433 per front foot.

In terms of specific value evidence, Respondent offered information concerning four (4) sales from subject’s market area. Three (3) of the sale properties had “good” site ratings and the other was assigned a site rating of “average”. Two (2) of the “good” properties were improved at the time of sale, though details regarding the improvements were not shared. These properties, with 150 and 151 waterfront feet, sold for \$1,800,000 and \$950,000, respectively. After removing the values of the associated improvements, Respondent calculated residual land price indications of \$1,242,530 and \$770,570, or \$8,284 and \$5,103 per front foot. The remaining “good” sale was a vacant lot with 95 front feet on the lake. This lot sold for \$4,547 per front foot. The only “average” sale on the list was an improved parcel with 57.5 front feet on the lake. The sale price was \$477,000, and the residual land value was calculated at \$336,560, or \$5,853 per front foot. Respondent maintained subject’s value is well supported by the available sales data.

Turning to subject’s purchase, Respondent argued the auction price should not be used to determine subject’s current value because there were some questions regarding the auction process itself and whether it resulted in market prices. Respondent also pointed out some inconsistencies contained in subject’s appraisal report. It was noted the appraisal applied inconsistent adjustments in its comparative sales analysis for size and topography of the sales compared to subject. The appraisal also made adjustments depending on whether the sale properties had access to community water and sewer services or if such services were privately-owned. Respondent testified the sales data did

not indicate any difference in value between properties with private versus public utilities services. Lastly, Respondent questioned the lack of location adjustments despite sales data showing sale prices in some areas around the lake are notably higher than in others.

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 cost approach, and the income approach comprise the three (3) methods for determining market value. *Merris v. Ada County*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). Residential property is commonly valued using the sales comparison approach.

Appellants offered subject's purchase at auction in 2016 for \$525,000 as the best

indicator of the lot's current market value. While the Board understands Appellants' position, we are not convinced subject's auction purchase is the most reliable evidence of market value. Auction prices are generally viewed with caution in appraisal due to the increased likelihood of atypical motivation on the part of the involved parties and the risk the auction price is not necessarily at market. In the present case, subject's minimum bid price was set before the auction, meaning there was no negotiation between the buyer and seller. Such would not be the case in a typical open market transaction. There were also some questions with certain aspects of subject's appraisal, particularly the inconsistent adjustments applied to the sales and the lack of location adjustments. Even without these concerns about the auction process itself and subject's appraisal, the Board would be reluctant to rely too heavily on a single sale in determining subject's value. Typically, the sales comparison approach considers multiple recent sales of proximate and similar property. "[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).

Respondent's sales data was better received by the Board because the sales were all open market transactions and the properties were located in subject's same market area. That being said, there were some questions of comparability between subject and the sale properties. Three (3) of the sales were superior "good" lots, with only one (1) sale

property sharing the same “average” site rating as subject. Another concern was three (3) of the sales were improved at the time of sale whereas subject is a vacant lot. Improved properties are generally not used to value vacant lots due to the large adjustments needed to remove improvement values from sale prices. Despite these concerns, Respondent’s sales data represented the only recent open market sales in the record and therefore must be considered. Subject was assessed lower per front foot than any of the sales, which appears reasonable given the evidence provided.

Idaho Code § 63-511 places the burden on Appellants to demonstrate error in subject’s valuation by a preponderance of the evidence. We did not find the burden of proof satisfied in this case. Appellants’ only evidence of value was subject’s purchase at auction, which as noted earlier, the Board was reluctant to weigh too heavily. None of the other sale prices from subject’s market area approximated the \$525,000 price paid at auction, which suggests subject’s auction price is an outlier. Without more sales near subject’s purchase price, the Board did not find sufficient support to reduce subject’s value as petitioned by Appellants. As such, 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 21st day of February, 2018.