

BEFORE THE IDAHO BOARD OF TAX APPEALS

CHRISTIAN ROSENAU,)	
)	
Appellants,)	APPEAL NO. 17-A-1034
)	
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. RP01256000010A. The appeal concerns the 2017 tax year.

This matter came on for telephonic hearing on January 3, 2018 in Sandpoint, Idaho before Hearing Officer Cindy Pollock. Appellant Christian Rosenau was self-represented at hearing. 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 unimproved rural residential tract.

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

FINDINGS OF FACT

The assessed land value is \$50,513. Appellant contends the correct land value is \$37,700.

The subject property consists of 4.9 acres and is a vacant residential tract located in the Blacktail-Careywood area south of Sandpoint, Idaho. Subject's location was

described as remote with no views. The parcel is accessed via a narrow dirt road. It was also noted subject is burdened with an access easement crossing the northwest corner of the property and two (2) utility easements in the southeast corner benefitting the adjacent Lot 2.

Appellant explained subject was originally part of a larger ten (10) acre tract improved with a manufactured home. At some point the larger tract was split into two (2) parcels, each roughly five (5) acres in size. Appellant has listed subject for sale with a local realtor since November 2014. The original asking price was \$45,000, which was dropped to the current asking price of \$42,000 roughly one (1) year later. Appellant reported accepting a purchase offer of \$38,000 in April 2017, however, the deal fell through and subject remains on the market.

In addition to subject's listing information, Appellant provided a couple lists of sales. The first list, obtained from Respondent, included information concerning seven (7) 2016 sales from subject's general area. Three (3) of the sales were vacant tracts and the other four (4) were improved. The vacant parcels ranged in size from 4.26 to 10.05 acres with sale prices ranging from \$36,440 to \$65,000. Appellant emphasized the 10.05 acre tract located in subject's immediate vicinity, which sold for \$65,000, as the best indication subject's roughly five (5) acres are over-assessed. Details concerning the improvements associated with the improved property sales were not shared, however, the sale prices ranged from \$175,000 to \$269,900. The associated residual land price indications ranged from \$63,735 to \$132,637 for parcels from 4.679 to 20.0 acres in size.

Appellant also offered information concerning four (4) additional sales obtained from a local realtor. All the sales occurred during 2016. Three (3) of the sale properties were roughly five (5) acre tracts which sold for \$39,000, \$40,000, and \$36,000. The remaining parcel was 10.28 acres in size and sold for \$45,000. Respondent contested the comparability of these sales to subject because they were located to the south in an area which generally sells for lower prices.

Respondent explained values in subject's area were trended upward for 2017. The trend was derived from a ratio study analysis which compared 2016 sale prices to assessed values. The study indicated assessed values were low so an upward trend was applied to bring the values to market price levels. Subject's value increased roughly 40% for 2017.

In support of subject's valuation, Respondent offered information on three (3) sales from 2016. The first was a five (5) acre tract located roughly one-third (1/3) of a mile from subject which sold for \$60,000. The other sales were improved properties located within two (2) miles of subject. Details concerning the improvements were not provided. Respondent removed the assessed values of the improvements from the sale prices, which were \$375,000 and \$217,000, to arrive at residual land price indications of \$64,417 and \$74,321, respectively. In Respondent's view, subject's value is well supported by these sales.

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) methods for determining market value are 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). Residential property is typically valued using the sales comparison approach.

Both parties provided sales information for the Board’s consideration. Appellant focused on sales of unimproved rural residential tracts, whereas two (2) of the three (3) sales offered by Respondent were improved properties. While we understand Respondent’s extraction method to arrive at residual land values, such an approach can be inherently problematic and fail to account for the fact improved properties generally sell differently than vacant parcels. Typically, when available sales involving like properties are

used to develop a value estimate. By removing the improvement values from the sale prices, Respondent effectively adjusted the improved sales by roughly 83% and 66% respectively, which illustrates the vast differences between the subject and the sale properties. Such large adjustments serve to highlight the reliability of the resulting value conclusions. Overall, the Board preferred Appellant's sales information which was limited to sales of truly like-kind property.

In addition to the vacant land sales indicating subject's assessed value is somewhat high, subject's rather lengthy listing on the open market also suggests the assessed value is above market. The property has been on the market since November 2014 with an original asking price of \$45,000, which was reduced to \$42,000 in late 2015 and has remained in place since. Though asking prices are not determinative of market value on their own, for instance when comparable sales exist, they can offer an indication of a property's upper value range, particularly after some time has been spent on the market. So while not conclusive evidence, subject's listing information does indicate the assessed value is high, and offers additional support for value range indicated by Appellant's vacant land sales.

Appellant also contended subject's value was negatively impacted by an access easement and several utility-type easements. Respondent noted many rural parcels in the county are burdened with some form of easement, and explained unless such easement notably decreases a property's use or utility, the sales data did not show an impact on value. This explanation fits with the Board's experience. Further, the easements at issue

here are minimal and are located in two (2) opposite corners of the property. The remainder of subject is unencumbered and not impacted by the easements. Appellant did not demonstrate subject is overly burdened by the easements or otherwise provide evidence to suggest an adjustment is appropriate. The Board was strained to find how subject's market value is materially affected by these particular easements.

Appellant bears the burden of proving error in subject's valuation by a preponderance of the evidence. Idaho Code § 63-511. Based on the evidence provided, we find the burden of proof satisfied. The Board understands subject's assessed value was the result of trending and not from a direct comparative analysis. Respondent's application of a market-derived trend factor to subject's neighborhood was not in itself improper, however, it appears the broad trending resulted in an over-valuation of subject. Where the good evidence of subject's specific market value shows the trend resulted in an over-assessment, as is the case here, an adjustment needs to be made.

Based on the above, the decision of the Bonner County Board of Equalization is modified to reflect a reduction in subject's land value to \$40,000.

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, MODIFIED to reflect a decrease in subject's land value to \$40,000.

IT IS FURTHER ORDERED, pursuant to Idaho Code § 63-1305, any taxes which have been paid in excess of those determined to have been due be refunded or applied

against other *ad valorem* taxes due from Appellant.

Idaho Code § 63-3813 provides under certain circumstances that the above ordered value for the current tax year shall not be increased in the subsequent assessment year.

DATED this 20th day of February, 2018.