

BEFORE THE IDAHO BOARD OF TAX APPEALS

GARTH SICKLES,)	
)	
Appellant,)	APPEAL NO. 17-A-1318
)	
v.)	FINAL DECISION
)	AND ORDER
BOISE COUNTY,)	
)	
Respondent.)	
)	
)	
)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Boise County Board of Equalization denying the protest of valuation for taxing purposes of property described by Parcel No. RP06N05E162450. The appeal concerns the 2017 tax year.

This matter came on for hearing November 27, 2017 in Idaho City, Idaho before Hearing Officer Travis VanLith. Appellant Garth Sickles was self-represented. Assessor Chris Juszczak 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 rural residential tract.

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

FINDINGS OF FACT

The assessed land value is \$29,730, and the improvements' value is \$1,748, totaling \$31,478. Appellant contends the correct land value is \$20,000, and the improvements' value is \$0, totaling \$20,000.

The subject property is a 5.145 acre rural residential tract located in a neighborhood known as Spanish Loop, which is situated between Idaho City and Centerville, Idaho. The

neighborhood was described as unique within the county. The neighborhood, comprised of twenty-three (23) parcels, is a “no power” zone, meaning property owners rely on generators or other means for electricity. The subject property is minimally improved with a small cabin-like structure, which was noted to lack insulation, a foundation, and basic structural components. The building was nominally valued at \$1,748. Subject is located adjacent to three (3) other residential tracts also owned by Appellant. A road runs through subject to some of the other tracts and beyond, however there is no recorded legal access to subject.

Appellant purchased subject for \$20,000 in April 2017. The seller had inherited the property but did not want to keep it, so contacted Appellant about purchasing the parcel. Appellant reported the seller initially requested a price of \$45,000, however, after it was discovered subject did not have legal access established, the price was ultimately reduced to \$20,000. Appellant argued subject’s purchase price represented the best evidence of market value and petitioned subject’s assessed value be reduced accordingly. Respondent suggested subject’s purchase price might not be the best indicator of value because the property was not publicly listed on the open market and there was some question about the seller’s knowledge of the local real estate market.

In addition to the recent purchase, Appellant contended subject’s value should be reduced to account for the lack of legal access to the property. Respondent’s map of the area indicated a road coming off the nearby Spanish Loop road and extending through the subject property. Appellant argued the map was incorrect because the road would have

to cross government land, which legal access the government would purportedly not grant. Appellant maintained there never has been a true roadway link between subject and Spanish Loop road. A partially furnished title report or title insurance policy stated “Right of access to and from the [subject] land, if any, is not established of record” Appellant also provided a letter from a bank executive regarding potential financing of subject’s purchase. The letter provided before subject could be used to secure a loan, the property would need to have a recorded access agreement in place.

Appellant also provided an estimate from a local company to install an access road to subject. The potential road would bypass the government-owned parcel by running through the adjacent privately-held parcel and then to the main road. Appellant noted the neighbor has not agreed to allow an access road, nor does Appellant presently intend to pursue the matter. However the estimated cost to install the access road was \$11,755.

Respondent offered information concerning three (3) sales from subject’s immediate neighborhood. The sale parcels were unimproved with the exception of a small improvement valued at \$598 associated with one (1) of the properties. Two (2) of the lots were the same size at 10.33 acres. These tracts sold in March and April 2016 for \$60,000 and \$55,000, or \$5,750 and \$5,324 per acre, respectively. The remaining sale concerned a 9.732 acre unimproved tract which sold in November 2016 for \$69,000, or \$7,090 per square foot. Reference was also made to an earlier 2014 sale of a 6.887 acre parcel which sold for \$61,000, or \$8,857 per acre, and a 2015 sale of a 10.33 acre parcel for \$67,620, or \$6,546 per acre. Subject’s 5.145 acres are assessed for \$29,730, or \$5,778

per acre.

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 County*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). Residential property is often valued using the sales comparison approach, which approach considers recent sales of similar property.

Both parties offered sales information for the Board's consideration. Appellant pointed to subject's April 2017 purchase price of \$20,000 as the best evidence of subject's value. While the recent arm's-length sale of the property being valued is generally

considered strong evidence of its market value, such is not found to be the case here. First, the sale occurred in April 2017, roughly four (4) months after the January 1, 2017 assessment date. As such, subject's purchase information is untimely for purposes of establishing the property's market value on January 1st.

The Board was also left with questions concerning whether subject's purchase was an arm's-length transaction. Appellant characterized the seller as disinterested in holding onto the property after it was inherited and wanting to get rid of it. This suggests the seller may have been atypically motivated to sell. Another concern the Board had was with subject not being listed for sale on the open market. According to the testimony, the seller made the initial contact to inquire about Appellant's interest in purchasing the property. This again suggests the sale may not have been a typical market transaction.

Respondent's primary value evidence consisted of three (3) sales from subject's immediate neighborhood which closed during 2016. Sale prices ranged from \$55,000 to \$69,000, or from \$5,324 to \$7,090 per acre, with an average price rate of \$6,055 per acre. Though the sale parcels were nearly double subject's size, they were located in subject's neighborhood and shared many key physical characteristics. Respondent appeared to factor in subject's smaller size as evidenced by it being valued notably less than the sales. Overall, Respondent's sales information and analysis was well received by the Board.

While we agreed with Respondent's basic value conclusion, there was something missing. No consideration was given to subject's apparent lack of recorded or established legal access. Respondent contended this lack of access did not impact market value. We

disagree. An important stick in the bundle of property rights is the ability to access a property. Without legal access an owner cannot readily use the property, which in turn negatively affects market value. Subject's limited access, or lack of recorded access, was demonstrated to be an issue. The letter Appellant provided from a bank regarding the possible financing of subject's purchase stated most lenders would not take a landlocked parcel as collateral, and subject in particular would need an access agreement in place to secure a loan. Therefore a potential buyer of subject would likely face a similar financing obstacle. Further, a buyer might have to pay the cost to install an access road, which a reasonable buyer would certainly factor into the price.

Idaho Code § 63-511 places the burden on Appellant to establish subject's valuation is erroneous by a preponderance of the evidence. Though the Board did not find sufficient support to reduce subject's value to the amount petitioned by Appellant, we did find good cause to adjust the value downward to account for subject's limited access. We will therefore reduce subject's land value to \$26,757. The decision of the Boise County Board of Equalization is modified accordingly.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Boise County Board of Equalization concerning the subject parcel be, and the same hereby is, MODIFIED to reflect a decrease in the land value to \$26,757, with no change to improvements' value of \$1,748, resulting in a market value of \$28,505.

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 13th day of February, 2018.