

BEFORE THE IDAHO BOARD OF TAX APPEALS

SANDRA LAFARR AND JEFFREY DOW,)	
)	
Appellants,)	APPEAL NO. 18-A-1010
)	
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 modifying a protest of valuation for taxing purposes of property described by Parcel No. RP000090010010A. The appeal concerns the 2018 tax year.

This matter came on for hearing September 13, 2018 in Sandpoint, Idaho before Board Member Kenneth Nuhn. Appellants Sandra LaFarr and Jeffrey Dow were self-represented. 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 \$53,320, and the improvements' value is \$609,221, totaling \$662,541. Appellants contend the correct total value is \$600,000.

The subject property is a .536 acre parcel located close to the Hawkins Point Sportsman access, east of Sandpoint, Idaho. Though near Lake Pend Oreille, the subject

property is not waterfront, nor does it enjoy views of the lake. The parcel is improved with a multi-level residence constructed in 2009, with 3,966 total square feet of living area. The residence has one (1) bedroom and one and one-half (1 ½) bathrooms, and Respondent's quality rating for the residence is "Very Good +". The property is further improved with a detached two (2) car garage which also includes a 540 square foot apartment on the upper level. Appellants purchased the property in March 2017 for \$599,000.

Appellants described issues with subject's residence which were characterized as detriments to the property's value. First, Appellants noted it was rare to have only one (1) bedroom and one (1) full bathroom in a residence of subject's larger size. Also, the full bathroom is only accessible via the master bedroom. These uncharacteristic design elements were suggested to reduce the number of potential buyers and overall marketability of the property, thereby negatively impacting its value. Appellants noted it took the prior owner more than one (1) year to sell the property.

Appellants also disputed the reported size of the residence. According to Appellants' calculations, the finished living area totaled 3,182 square feet, with 2,266 on the main floor and 916 square feet on the upper level. Appellants questioned whether Respondent's larger size included a utility space beneath the main floor. It was explained the utility space was not finished living area, but was instead used to house hot water heaters, a furnace, wood-working tools, and ATVs. It was further noted there was no running water to the utility space and access to the space was via an exterior door, with no direct access from the interior of the residence.

Appellants additionally provided some limited information on thirteen (13) sales which reportedly occurred during 2017. The sale residences were similar to subject's in terms of square footage, however, there were notable variances in age, bedroom and bathroom counts, lot size, and location among the properties on the list. Based on the sales information, a local realtor estimated a probable price between \$560,000 and \$600,000 for the subject property.

Respondent challenged the comparability of the sale properties offered by Appellants. In particular, all the sale residences were noted to have inferior quality ratings, some vastly inferior. Respondent also highlighted the ages of sale residences, with some being roughly 70 years old. Lastly, the sale properties were scattered geographically, ranging from roughly 1.5 miles to 25.7 miles distant from the subject.

Respondent separately considered the values of subject's land and improvement components, and offered sales analysis in support of each. In support of subject's land value, Respondent provided information regarding three (3) improved sales which closed during August 2017. Sale No. 1 was a 3.3 acre residential parcel which sold for \$319,070. Sale No. 2 involved a .21 acre parcel which sold for \$213,500. Sale No. 3 was a 1.38 acre parcel which sold for \$229,500. All the sale properties shared the same "Very Good" land grade, though subject's land grade is "Average". Details concerning the improvements associated with the sales were not provided, however, Respondent reported removing the assessed values of such improvements. What remained were residual land price indications ranging from \$93,840 to \$160,351. These values were then adjusted to account

for differences in lot size compared to subject, as well as land grade. The result was land value indications from \$34,197 to \$65,960. On the same basis, subject's raw land, before site improvements, is valued at \$40,320.

Respondent also offered information on three (3) sales in support of the value of subject's residence. The sale residences all had the same quality and condition ratings as the subject residence. The first sale residence was 2,815 square feet in size and was constructed in 2014. The property sold in April 2017 for \$1,055,000. The second sale concerned a 2,568 square foot residence constructed in 2011. This property sold for \$548,250 in December 2017. The third sale residence, comprised of 2,401 square feet, was constructed in 2002. The property sold in October 2017 for \$695,000. Respondent removed the assessed values of the associated land and ancillary improvements from the gross sale prices, which resulted in price indications for the sale residences ranging from \$420,103 to \$441,696. Respondent adjusted these residual improvement values to account for differences in age, square footage, and garages between subject and the sale residences. The end result was price indications for the subject residence ranging from \$544,315 to \$556,644. Subject's residence alone is assessed at \$541,380.

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, 2018 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) primary 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). The sales comparison approach, which considers recent sales of similar and proximate property, is commonly used to estimate the market value of residential property.

Appellants described subject's layout as unique and atypical for a residence of subject's size. In Appellants' view, these oddities negatively impacted the marketability and value of the subject property. While we generally agree a property's unique characteristics can impact its market value, no direct evidence was presented to support the position subject's value was negatively impacted as a result of its unique design and layout. We did not find sufficient cause to reduce subject's value on this basis.

In similar fashion, the Board did not find adequate support to reduce subject's value based on a potential discrepancy in square footage. Appellants claimed subject's square

footage was overstated in Respondent's records by roughly 785 square feet. Certainly such a large size difference would impact the overall value, however, nothing was offered to substantiate Respondent's records were incorrect. Without more evidence demonstrating the alleged error, the Board is unable to reduce subject's value in this instance.

Though neither party attempted a traditional sales comparison approach, wherein recent sales of similar property are directly compared to the subject and adjustments made for important value factor differences, both parties did provide some sales information for the Board's consideration. Appellants provided a list of thirteen (13) sales obtained from a local realtor. Though sizes of the sale residences were similar to the size of subject's residence, the similarities mostly stopped there. Each of the sale residences were of lesser quality than subject's, and all of the underlying sale lots were notable larger than subject's. In addition, none of the sale residences approximated subject in terms of age, and ten (10) of the sale properties were located between twelve (12) and twenty-six (26) miles away from subject. No adjustments for these or other key characteristics were made. In short, the overall analysis was found to be lacking, and the sales information provided did not support the value claim requested by Appellants.

While Respondent's analysis was better received, the Board did have some concerns with portions of the analysis and the sales used to support subject's valuation. Most notably, few details concerning the sale properties were shared. For the sales used to support subject's land valuation, virtually no details concerning the improvements

included in the sales were provided. Further, none of the sale properties were directly compared to subject on an overall basis, as is typical in a traditional sales comparison approach. Instead, the assessed values of the improvements were simply removed from the respective sale prices, leaving a residual value attributed to the land component. Also of concern was the amount of adjustments made to the residual land prices/values, which net adjustments ranged from 21% to 40%. Questions of comparability between these sale properties and subject were apparent in the Board's view.

The Board also had some questions concerning the similarity of the sale properties used to support the value assigned to subject's residence. Again, limited details regarding the sale properties were offered into evidence. This time, Respondent removed assessed land values, as well as assessed values of other improvements associated with the particular sale property. Little or no information concerning the homesites or the other improvements was provided, even though from the summary table submitted it is clear these other values represented major components of the sale properties. This is well illustrated in Sale No. 1, which sold for \$1,055,000. Respondent removed nearly \$615,000, or roughly 60%, in value attributable to the lot and other improvements, before making further adjustments to account for differences in age and size between the sale residence and the subject residence. Such large adjustments imply to us a significant level of dissimilarity between the subject and the sale properties. That being said, Respondent's analysis, on an overall basis, was regarded as superior in this particular case.

In appeals to this Board, Appellants bear the burden of proving error in subject's

valuation by a preponderance of the evidence. See Idaho Code § 63-511. Given the evidence presented in this matter, we did not find the burden of proof satisfied. Though the Board would have preferred a more detailed analysis, we did find Respondent provided stronger support for its value position than did Appellants. Respondent did adjust the chosen sale properties for purposes of comparison with subject. Appellants did not make a similar attempt. And because the burden rests with Appellants, we did not find sufficient support to reduce subject's assessed market value.

Based on the above, the value 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 5th day of November, 2018.