

BEFORE THE IDAHO BOARD OF TAX APPEALS

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|------------------------------|---|----------------------|
| HI WILLOW RANCH CORPORATION, |) | |
| |) | |
| Appellant, |) | APPEAL NO. 18-A-1236 |
| |) | |
| v. |) | FINAL DECISION |
| |) | AND ORDER |
| BONNEVILLE COUNTY, |) | |
| |) | |
| Respondent. |) | |
| _____ |) | |

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Bonneville County Board of Equalization modifying an appeal of the valuation for taxing purposes on property described by Parcel No. RP01S40E100601. The appeal concerns the 2018 tax year.

This matter came on for hearing November 15, 2018 in Idaho Falls, Idaho before Hearing Officer Cindy Pollock. President Tom Loertscher appeared at hearing for Appellant. Assessor Blake Mueller 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 rural residential property and homesite outbuildings.

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

FINDINGS OF FACT

The Board of Equalization's total assessed value for Parcel No. RP01S40E100601, including all categories, is \$321,895. Appellant contends the correct total value is \$218,086.

The following chart lists the final County values by assessment category. The values are noted to be before application of the homeowners exemption. Appellant did not provide a similar breakdown for its total value.

| <u>Category</u> | <u>Assessed Value</u> |
|-----------------|-----------------------|
| 01 | 12,231 |
| 04 | 4,026 |
| 05 | 7,854 |
| 10 | 19,500 |
| 10H | 19,750 |
| 31 | 98,150 |
| 31H | 75,224 |
| 32 | <u>85,160</u> |
| | \$321,895 |

The subject property is a 480 acre ranch parcel improved with three (3) residences, and many outbuildings. The outbuildings include such structures as calving sheds, grain bins, sheds, pole buildings, and metal granaries and quonsets. The rural property is located outside Iona, Idaho. Most of the acreage involved is assessed as land actively devoted to agriculture pursuant to Idaho Code Section 63-602K (categories 01, 04, and 05). On appeal, the assessment of this exempt status agricultural land was not in dispute. In dispute is the value of the property assessed under the market value standard (the above categories 10, 10H, 31, 31H, and 32).

Appellant began by noting the subject property's assessed value increased significantly for the 2018 tax year. It was argued the homesite related property was unique due to being situated over two (2) miles from the main road. Appellant maintains this long access road including all the winter snow removal. Along the private road is a bridge crossing Willow Creek. The subject improvements, with the exception of a few grain bins, are all located beyond the bridge.

Appellant explained most of the outbuildings were repurposed or built with used materials brought in from elsewhere. The calving sheds were mostly framed with used utility poles. There

was no concrete involved in the construction of the calving sheds, and these roofs were covered with corrugated metal. The calving sheds were built in 1995, 1997 and 2006.

Subject's improvements include two (2) larger, metal quonsets. The first contains 30 feet of concrete flooring and is used for storage purposes. The reported cost of construction was approximately \$18,000 in 1998. The second quonset is similar to the first with a reported cost of \$10,000. There is more concrete in the second quonset, which is used more as a shop for repairing and fabricating equipment. Appellant contended the cost to move the quonsets is more than the price of a new building.

The property also contains several granaries which were originally constructed in the 1970s on different property. Appellant reported disassembling these grain bins and moving them to the subject property. Appellant noted today the granaries would cost more to move than they are worth and likely couldn't be moved successfully a second time. Appellant explained the granaries are used for storage of grain produced on the ranch, which though this adds value to the operation, the granaries do not have a separate marketable value.

Lastly, Appellant discussed the three (3) residences situated on the property. The first was built in 1976. It was explained this residence has settling issues and was poorly built. It was stated due to all the defects, it would be less expensive to replace this residence than to repair it. The next residence was also built in 1976. Appellant described this residence as being built with average construction.

The third residence, hereinafter referred to as "the non-occupied residence", was described as nothing more than a bungalow with periodic use. This improvement was on the property when it was purchased in 1969. This residence was originally set on rocks. The

residence has recently been unoccupied for over a year as it is nearly uninhabitable. Appellant explained this residence was relocated from another property in the 1960's and has been pieced together over the years. Appellant reported being unable to resolve leaks in the roof.

Appellant contended the subject property is very unique in that none of the buildings can be sold individually or used apart from the ranch. It was reported lenders will not lend money on the basis of the residences alone.

Respondent agreed the subject property is unique which has made it more difficult to appraise. It was reported the property was revalued for the 2018 tax year. In appraising the improvements, the property's physical characteristics were checked and updated, and adjustments were made for location, as well as for deferred maintenance issues present with each residence. Two (2) of the residences were graded as "fair", and one (1) as "average-minus". Respondent explained this further addressing issues relating to each residence. After making adjustments, the two (2) main residences were valued at \$75,224 and \$69,044, or \$44.78 and \$39.50 per square foot, respectfully. For comparison purposes, Respondent provided information on seven (7) older residence sales deemed similar in construction grade, condition, and age. None of the sale properties were located in a rural setting similar to subject. With no adjustment for location, the sale prices indicated average price rates for the improvements ranging from \$45.40 to \$129.51 per square foot.

Looking at the unoccupied residence, Respondent rated this as "fair", and valued it at \$25.53 per square foot, for a total improvement value of \$29,106. Respondent provided seven (7) residential sales to compare with this residence. Six (6) of the sale properties were rated "average" and one (1) was rated as "fair." The sales prices indicated improvement values

ranging from \$60,000 to \$102,500, or from \$39.55 to \$85.19 per square foot.

For the remaining subject improvements, such as pole buildings, sheds, grain bins, quonsets, and other outbuildings, Respondent relied solely on the cost approach. Each outbuilding's replacement cost new was estimated and then depreciated accordingly. The quonsets were valued at \$44,780 and \$6,640. Other outbuildings ranged in assessed value from \$200 to \$9,270. Appellant argued the value attributable to many of these outbuildings is grossly overstated.

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, as here, or as applicable exempt status when that is at issue. This Board, giving full opportunity for all arguments and having considered all the testimony and documentary evidence submitted by the parties, 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. There are three (3) approaches to value, the sales comparison approach, the cost approach, and the income approach. The Board notes Respondent relied primarily on a consideration of the sales comparison approach and the cost approach. Appellant argued the reappraisal consideration was ultimately in error, overvaluing the subject property for assessment purposes.

Property Tax Administrative Rule 645 provides in part;

02. Homesite Assessment. Effective January 1, 1999, each homesite and residential and other improvements, located on the homesite, shall be assessed at market value each year. (7-1-99)

a. Accepted Assessment Procedures. Market value shall be determined through procedures, methods, and techniques recommended by nationally recognized appraisal and valuation associations, institutes, and societies and according to guidelines and publications approved by the State Tax Commission. Acceptable techniques include those that are either time tested in Idaho, mathematically correlated to market sales, endorsed by assessment organizations, or widely accepted by assessors in Idaho and other states. (7-1-99)

b. Appropriate Market and Comparable Selection. The appropriate market is the market most similar to the homesite and improvements located on the homesite. In applying the sales comparison approach, the appraiser should select comparables having actual or potential residential use. (7-1-99)

...

d. Homesite Independent of Remaining Land. The value and classification of the homesite will be independent of the classification and valuation of the remaining land. (7-1-99)

Subsection 02. above does not require the market value of the subject improvements be estimated as if they were separate properties and would be uprooted and relocated, but merely that the homesite, or farmstead, together with all the non-exempt improvements is the appraisal unit for assessment purposes. That is to say, the homesite and its associated structures and improvements are to be valued as a hypothetical separate ownership, apart from the associated agricultural land.

Appellant challenged the subject property's 2018 assessed value and requested the assessment total be lowered to last year's assessment of about \$218,000. Appellant argued the property's isolated location and access is not comparable to other property where the subject improvements are located more than two (2) miles from a county road. To support the sought after reduction in value, Appellant discussed each improvement, from the residences to the

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outbuildings, including the quonsets, should be reduced. The valuations for the primary residences might be further reduced, but we found the totality of Respondent's appraisal evidence mitigated against this. The property which the Board finds was over-assessed was mostly constructed sometime in the 1960's and/or was relocated to the ranch or caused to be constructed by Appellant or others with recycled materials.

In the record before us, the Board found *insufficient* depreciation was allowed in the cost approach on the various outbuildings and with the unoccupied residence. Appellant has met its burden in demonstrating an over-assessment of the subject property. Idaho Code Section 63-511. Accordingly the Board will order a value reduction, requiring the subject property assessed under the market value standard be reduced from \$297,784 to \$259,000. The Board found the \$38,784 reduction was most associated with the contributory values assigned to the outbuildings and the unoccupied residence.

For the reasons expressed, the decision of the Bonneville County Board of Equalization is modified.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Bonneville County Board of Equalization (BOE) concerning the subject parcel be, and the same hereby is, MODIFIED to reflect a final value for all categories, before the homeowners exemption is applied, of \$283,111.

This Board's \$38,784 reduction is hereby ordered to apply in full to the subject property assessed under the market value standard. Respondent may allocate the market value reduction, as necessary or helpful, between assessment categories.

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 that taxpayer.

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

DATED this 15th day of February, 2019.