

BEFORE THE IDAHO BOARD OF TAX APPEALS

ELIZABETH DEFREMERY,	)	
	)	
Appellant,	)	APPEAL NO. 18-A-1040
	)	
v.	)	FINAL DECISION
	)	AND ORDER
BONNER COUNTY,	)	
	)	
Respondent.	)	
_____	)	

**VACANT LAND APPEAL**

This appeal is taken from a decision of the Bonner County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. RPS38080030030A. The appeal concerns the 2018 tax year.

This matter came on November 14, 2018 for telephonic hearing in Boise, Idaho before Hearing Officer Cindy Pollock. Appellant Elizabeth deFremery was self-represented. Assessor Jerry Clemons 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 residential property.**

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

FINDINGS OF FACT

The assessed land value is \$103,928. Appellant contends the correct land value is \$90,000.

The subject property is a .144 acre residential lot situated in the Maplewood Village subdivision in Sandpoint, Idaho. The lot sits near the waterfront, however, there is no direct or deeded access to the water.

Appellant purchased the subject lot in August 2017 for \$90,000 and contended the current assessed value should match the recent sale price. The lot was purchased from a local realtor, though the lot was not listed on the open market. Appellant contacted the realtor-owner, who agreed to sell the lot for \$90,000. In Respondent's view, the purchase was not an arm's-length transaction because the lot was not listed for sale and therefore was not exposed to the open market.

In addition to subject's purchase, Appellant provided information from two (2) additional vacant lot sales. Both sale lots were located in the Northview Estates subdivision roughly one (1) mile from subject's development. Sale No. 1 was a .20 acre lot which sold in September 2017 for \$60,000. Sale No. 2 concerned a .25 acre lot which sold in June 2017 for \$62,000. Pointing to these sales and subject's purchase, Appellant maintained subject's current assessed value is too high.

Respondent contended the Northview Estates development, in which Appellant's sale lots are located, was not comparable to subject's Maplewood Village subdivision. Respondent noted Maplewood Village is located farther from the river across busy U.S. Highway 2. Respondent further commented Northview Estates is not as fully developed as Maplewood Village. Of the twenty-four (24) lots in Northview Estates only five (5) are developed, compared to Maplewood Village wherein only six (6) of the total fifty (50) lots in the subdivision are vacant. Another distinguishing factor between the two (2) subdivisions was the respective common areas, with Maplewood Village regarded as superior in terms of the amenities offered to residents. The Northview Estates common

area was noted to be comprised mostly of trees acting as a noise barrier for the traffic on adjacent U.S. Highway 2.

Respondent's value evidence consisted of three (3) nearby sales, two (2) of which were improved at the time of sale. Sale No. 1 was a vacant .308 acre lot located approximately 700 feet from subject in the adjacent Northshore subdivision. Respondent reported the sale lot shared the same "very good" land grade with subject, though it did have site improvements present at the time of sale. The lot sold in July 2017 for \$117,900. Sale Nos. 2 and 3 were both improved parcels located in subject's subdivision. These sale properties also had the same "very good" land grade as subject. The first sold in July 2017 for \$369,900, and second closed in October 2017 for \$359,950. Respondent removed assessed values of the improvements associated with each sale property to isolate the values attributable to the underlying lots, resulting in residual land prices of \$125,391 and \$118,996, respectively. Subject's assessed value is \$103,928, which Respondent remarked was below the values indicated by the nearby sales.

Appellant disagreed with the comparability of Respondent's sales, as well as the accompanying analysis. Pointing first to the vacant lot sale, Appellant noted it was notably larger than subject's lot and it was located in a different subdivision comprised of waterfront and secondary waterfront lots. In Appellant's view, this sale should not be considered in developing a value for subject. Turning to Respondent's improved sales, Appellant questioned the extraction methodology used to derive the residual lot prices. Appellant contended once a property has been developed it is difficult to separate the land and

improvement components and assign values to each. It was argued only vacant lot sales should be used to determine land values.

### 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 the testimony and documentary evidence, 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 sales comparison approach, the cost approach, and the income approach comprise the three (3) accepted methods for determining market value. *Merris v. Ada Cnty*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). The sales comparison approach, which generally considers multiple recent sales of similar and proximate property, is commonly used to estimate the market value of residential property.

Both parties endeavored to provide comparable sales for the Board's consideration, which effort was well appreciated. Appellant relied on subject's August 2017 purchase

price of \$90,000 as the best evidence of the current market value, though did provide additional information on two (2) other lot sales. While we agree the recent arm's-length purchase of the very property being valued is typically strong evidence of its market value, we are not convinced such was demonstrated to be the case here. Subject was not listed for sale on the open market at the time of purchase. Rather, Appellant reached out to the owner of the lot, who agreed to sell. The lot was not exposed to the open marketplace in a normal fashion nor for a reasonable amount of time. Accordingly there was no opportunity for competitive bidding by other market participants. In the Board's experience, the circumstances surrounding subject's purchase do not represent a typical market transaction. Some factors of a valid sale were present, others were not. Reviewing market based adjustments for such conditions was not possible. For these reasons the Board was reluctant to rely too heavily on subject's purchase information.

The Board was also not convinced the lot sales offered by Appellant represented the best evidence of subject's current market value. The sale lots were located in a subdivision farther from the water and adjacent to a busy highway. In arguing Appellant's lot sales were not comparable to subject, Respondent highlighted differences between subject's subdivision and the development in which the sale lots were situated. In addition to these noted differences, the sale price levels themselves, which were roughly \$30,000 less than subject's purchase price, suggest buyers in the marketplace distinguish between the two (2) developments. It was not clear to the Board how these lot sales supported Appellant's value request of \$90,000.

Respondent's sales information was more squarely focused on subject's specific neighborhood and location. Indeed, Respondent reported all three (3) sale properties were located within 700 feet of subject, and all were noted to have the same land grade as subject, thus making them generally similar to subject in terms of general lot amenities. Though this localized sales data was better received as similar, the extraction methodology used to derive price indications for the sale lots was somewhat concerning to the Board. The extraction method ignores the reality property sells as a whole unit, not piecemeal. Further, as noted by Appellant it is difficult to "unpack" the land and improvement components from an integrated property. Going back in time or out in distance may have been preferable here to the large adjustments required in the abstraction methodology. That being said, Respondent's analysis was judged to be superior to the Appellant's in this particular instance. The sales data was from subject's immediate area, and the analysis pointed to a fairly tight range of value, from \$104,900 to \$125,391. The sales were also recent. Subject's assessed value is \$103,928, which appears reasonable given the sales data provided.

Idaho Code § 63-511 places the burden on Appellant to demonstrate error in subject's valuation by a preponderance of the evidence. Given the evidence presented in this matter, we did not find the burden of proof satisfied. There were too many questions concerning the circumstances surrounding subject's purchase for the Board to make an adjustment based solely on this transaction. The Board was also not persuaded the two (2) lots sales offered by Appellant presented the best indicators of subject's current market

value. As such, we did not find sufficient cause to disturb the valuation determined by Respondent.

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 14<sup>th</sup> day of February, 2019.