

BEFORE THE IDAHO BOARD OF TAX APPEALS

KOOTENAI COUNTY ASSESSOR,)	
)	
Appellant,)	
)	APPEAL NO. 18-A-1074
v.)	
)	FINAL DECISION
ANDERSON FAMILY PROPERTIES,)	AND ORDER
)	
Respondent.)	
_____)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Kootenai County Board of Equalization modifying an appeal of the assessment for taxing purposes on property described by Parcel No. 08340000012A. The appeal concerns the 2018 tax year.

This matter came on for hearing in Coeur d'Alene, Idaho before Board Member Kenneth Nuhn. Assessor Mike McDowell represented Appellant. Attorneys Susan Weeks and Daniel Keyes appeared for 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 lakefront property.

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

FINDINGS OF FACT

The assessed land value is \$998,817, and the improvements' value is \$10,310, totaling \$1,009,127. Appellant-Assessor contends the correct land value is \$1,997,634, and the improvements' value is \$10,310, totaling \$2,007,944.

The subject property is a lakefront parcel of about five (5) acres. The lake frontage is a little more than 1,700 front feet. Geographically, the largely level to sloping parcel forms the division and a peninsula between two (2) bays on Lake Coeur d'Alene. Among other

features, the lot is notable for a roughly 300 degree view over the main body of the lake. By road, the site is about fifteen (15) minutes from the City of Coeur d'Alene. The parcel is improved with an old cabin/workshop and a long boat dock. As noted above, the parties do not dispute the value attributable to improvements situated on subject.

Appellant contends the Kootenai County Board of Equalization erred in lowering subject's market value by fifty percent (50%) with "no market value evidence" in record. In supporting a market value position of \$2,007,944, Appellant explained its reappraisal and assessment practices for lakefront property. The Lake Coeur d'Alene waterfront was reappraised for the current 2018 tax year. In the reappraisal modeling, the west side of the lake, where subject lies, was found to have thirty (30) identifiable neighborhoods. Subject's waterfront neighborhood is about three (3) miles in length. From Appellant's perspective, the market demonstrated this neighborhood to be one (1) of the most desirable on the lake. Respondent's expert witness generally agreed, testifying it was more desirable than most.

Physical inspections for the 2018 assessments were completed from two (2) perspectives; the water and the land. The updated inspection, together with other information, resulted in an Overall Characteristic Rating for each waterfront site. Subject's overall rating was a "3", or "typical" for the neighborhood. Appellant described the site as one (1) of the largest in the neighborhood in terms of frontage, and one (1) of the most unique sites as well. Respondent agreed subject was a relatively unique property.

On an overall basis, Appellant valued subject, and the rest of the lake, on a front foot basis, however, different portions of subject's large frontage were separately accounted for. Common adjustments for the different portions included a depth adjustment and a length

adjustment. Respondent sought further explanations for the adjustments in the front foot modeling, and repeatedly emphasized the unique nature of subject having three (3) sides facing waterfront instead of the typical one (1) side.

Subject was appraised by Appellant as “non-buildable” (a recreational site) due to a 1978 septic denial letter being on file from the Panhandle Health District. Appellant contended a non-buildable site, depending on the neighborhood, was assessed at least 50% less than a buildable site. Both parties noted septic system requirements on the lake had changed since the 1978 letter was written.

Appellant reviewed five (5) sales and two (2) listings in support of the 2018 appraisal. Though all are not reviewed here, Sale No. 1 was located immediately adjacent to subject on the west side. The October 2012 sale was for \$1,250,000. This sale property contained 1.356 acres and about 400 waterfront feet. This property, which is also Appellant’s Listing No. 1, is currently advertised for sale at \$1,895,000. Sale No. 2, from September 2017, included two (2) parcels. The non-buildable lakefront parcel had 75 front feet, while the non-contiguous interior parcel was 8.2 acres in size. Comparable No. 4 was used specially to bracket subject’s front footage, but required large adjustments. Appellant presented all the comparables in an adjustment grid. Excluding Comparable No. 7, a listing which indicated a considerably higher value, the remaining comparables had adjusted prices ranging from \$2,021,000 to \$2,255,000.

Respondent-Taxpayer requests this Board sustain the value assigned to subject by the Board of Equalization. Including the improvements, that final market value determination was \$1,009,127. In support of this position, Respondent presented value evidence from a

local realtor. The realtor witness considered subject to be a large non-buildable parcel. To convert subject to a buildable site was said to be an expensive prospect. Though a specific study of costs was not performed, the realtor estimated such costs might total between \$20,000 and \$40,000 for engineering, road work, and septic system work. No such work has been performed at subject.

Respondent's value witness provided further information on some of the comparable sales and listings presented in Appellant's appraisal. The immediately adjacent sale was noted to be between friends where some duress may have existed. Sale No. 3 was said to reflect a property developed when the market had "tanked". It was opined the current market was good and any fairly priced property would sell. Therefore a property remaining on the market for an extended period, for instance Appellant's Listing No. 1, was merely over-priced. On the whole, the realtor argued Appellant had not properly valued subject as non-buildable where it considered buildable sales or listings in the appraisal. The realtor testified further the broader market had appreciated in recent years, but disagreed with Appellant's opinion lakefront property values had increased. Respondent argued some of Appellant's comparable sales were stale, and including listings was improper.

To support its value position, Respondent offered evidence from the local realtor witness. The witness sought to prepare a Comparable Market Analysis using lakefront land sales over the last couple years. However, no similar lakefront acreage sales were found. Three (3) expired listings were reviewed from another part of the lake, as was one (1) active listing located about 2.5 miles away from subject. As of April 11, 2018, the active listing had been on the market for 231 days. This property was reported to have 2.23 acres and was

listed for \$329,900. The listing information for this property identified forty (40) feet of waterfront, a location within a gated community, and that the parcel was buildable. In the end, the realtor believed the Comparable Market Analysis figure generated by the computer was a little high, and he would recommend a price for subject of \$950,000 to \$1,000,000 at most. The realtor, agreeing the amount and quality of water frontage can make a price difference, did not think the length of a frontage would even be considered by a buyer if the site was non-buildable. It was argued therefore Appellant could not meet the burden using a valuation model based on subject's front feet. Appellant contended the tight indicated value range from this method supported use of the front foot method and noted its case presented a large amount of other evidence as well.

Respondent also presented property evidence from one (1) of subject's five (5) owners. Background on the subject property's historic and current uses was explained. The dock was used early on to facilitate the transport of cordwood and mail. It is currently used by Appellant and guests for boats and plane(s). The owner described subject's peninsula as having rock outcrops and small beaches on either side.

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 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.

The market value of property, in the fee simple interest, 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. IDAPA 35.01.03.217. Market value is primarily a factual issue. The Board effectively reviews the value question *de novo*. Idaho Code § 63-511(2). In valuing subject, neither party was able to present or consider a number of recent comparable sales of notably similar property.

Highest and best use is a critical factor in estimating the market value of a land. See also Idaho Code § 63-208(1). The associated analysis considers the following:

1. Physically possible uses,
2. Legally permissible uses,
3. Financially feasible uses, and the
4. Maximally productive use of the property.

Among subject’s unique features, the property was found to have an extraordinary high frontage-to-property size ratio. This is significantly due to the fact much of the land area is a part of a peninsula extending into the main lake body. In this case, is front feet the proper characteristic on which to base value? On the record here, and in our experience and expertise, we believe not. The Board would discuss two (2) key reasons. First, selecting a comparison characteristic should normally consider the subject within a “bracketed” universe of data. Appellant’s use of Comparable No. 4 to bracket subject’s front footage resulted in

a gross adjustment of 229%. The Board found this was too excessive to reasonably rely on such a result. Second, the record pointed to subject being “unbuildable” as a future homesite, and thus it was valued and assessed as a recreational site. In this regard, we found a recreational site’s relative proximity to Coeur d’Alene and the total lot size involved to be reasonable measurements of comparable utility, and therefore the driving value characteristics for measuring subject’s market value.

The appraisal problem here clearly involved a dearth of good comparable sales. Subject’s key value characteristics are not common around Lake Coeur d’Alene. The existence of more similar properties was suggested, however recent sales or listings of such property were not available. Valuing subject with the available market data necessarily relies on informed judgment and experience. Each party was noted to offer some of this in their respective value evidence. For Respondent, a witness with credible experience and judgment testified. Such witness was limited in finding market support for a reasonable value estimate, given the absence of recent, proximate market data. Nonetheless, the Board found some of the realtor’s opinions about the marketplace credible, which in key part departed from Appellant’s position of sole reliance on a front foot rate analysis.

Ultimately, the Board considered the driving characteristics identified above, and sought gradient evidence from the available market data, i.e. sales and listings. Considering subject’s 5.2 acres of waterfront recreational land, with road access and good/improved lake access, we found the best-informed estimate ranges from \$250,000 to \$300,000 per acre as of the assessment date. This results in an indicated subject property value range between \$1,300,000 and \$1,560,000.

Due to the scarcity of good hard market evidence, and the limits of reliability for estimates based on the available market information, the Board found a mid-range estimate was reasonably supported. In considering both parties' valuation evidence, we believe we had somewhat more evidence and better evidence to work with, than either of the parties. Accordingly the Board finds subject's January 1, 2018 market value was \$1,430,000.

In accordance with Idaho Code § 63-511, the burden is with Appellant to establish subject's assessed valuation is erroneous by a preponderance of the evidence. We found the burden satisfied, however, we did not find sufficient support to increase the value to that requested by Appellant. We also found need to consider the value evidence and argument provided by Respondent in determining subject's fair market value. For the reasons expressed, the Board will modify the value decision of the Kootenai County Board of Equalization.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Kootenai County Board of Equalization concerning the subject parcel's market value be, and the same hereby is, MODIFIED to reflect an increase to \$1,430,000.

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

DATED this 27th day of March, 2019.