

residence includes 2,692 square feet of finished living area. The property is further improved with a number of outbuildings including a pole-constructed shop, a pole barn, and three (3) sheds. The various structures have been added or improved over the years, including in 2007 when the residence was remodeled and effectively doubled in size.

Appellant explained subject is located in an area which consists of primarily 5+ acre parcels. The area was characterized as a “non-homogenous mix of low-income properties with older mobile homes and lower quality dwellings . . . sparsely intermixed with some moderate to middling income homes.” The closest services were noted to be about eight (8) miles distant.

Appellant’s first area of concern with the assessment was the consideration given to the physical condition of the residence. It was noted subject was a two-level home built in 1981 and was constructed with a mix of inexpensive or reused materials. Since the original construction, there has been minimal updating. Some flooring was replaced in the kitchen and bathrooms, a new water heater had been installed, some windows had been replaced, and exterior painting was done in the early 2000’s. The carpeting was noted to be the original mismatched remnants in every room and the windows are also mismatched with unfinished trim. Bathrooms contain the original dated fixtures and exterior siding is reported to have deterioration issues.

Appellant contended subject is in need of several major repairs such as replacing the siding, roofing, and outdated appliances to bring the house to a sellable state. Photographs were provided depicting physical deterioration issues. Due to the deferred maintenance and condition of the subject residence, Appellant argued Respondent’s condition rating is in error.

Appellant argued subject should be graded as “fair” condition versus “average” condition. The Uniform Appraisal Dataset property conditions provide the following descriptions. For average condition “the improvements are well maintained and feature limited physical depreciation due to normal wear and tear. Some components, but not every major building component, may be updated or recently rehabilitated. The structure has been well maintained.” For fair condition, “the improvements feature some minor deferred maintenance and physical deterioration due to normal wear and tear. The dwelling has been adequately maintained and requires only minimal repairs to building components/mechanical systems and cosmetic repairs. All major building components have been adequately maintained and are fully functional.”

Appellant’s second concern or contention involved the sales Respondent used to set subject’s market value. It was argued four (4) sales were used to make overall market increases to subject’s neighborhood of 26% to the land and 22% to the improvements, and that these sales were not representative of subject’s market neighborhood.

In support of reducing subject’s market value, Appellant relied on two (2) 2018 sales. Sale No. 1 was a vacant land sale located five (5) parcels east of the subject property. This 10-acre parcel sold in May 2018 for \$38,000. The parcel was described as being similar to subject’s land. The second sale was an improved property located 2.7 miles distant from subject. Appellant considered this sale property to be nearly identical in lot size and overall utility as subject. The comparable sale was improved with a two-story 2,079 square foot residence and sold in 2018 for \$320,000. It was noted the residence was 30 years newer than subject and was rated a full grade higher than subject in quality. This sale property included

an attached garage which subject lacks. This was the only sale in Respondent's analysis to which Appellant agreed was comparable to the subject. In Respondent's analysis of this sale, adjustments were made for property differences resulting in an indicated subject value of \$234,995. Appellant agreed with most of Respondent's analysis of the sale, although found if subject's condition was moved to "fair", this would correlate with the requested value of between \$200,000 and \$215,000.

In terms of direct value evidence, Respondent offered information concerning three (3) 2018 sales located somewhat near subject's area. Sale No. 1 was 3.46 acres improved with a residence. The residence contained 880 square feet and was constructed in 1980. The property sold in December 2018 for \$190,000. Appellant noted this sale property was actually improved with two (2) residences and argued it was therefore not comparable to subject.

Respondent's Sale No. 2 was 4.77 acres improved with a single-story residence comprised of 888 total square feet. The property sold in September 2018 for \$298,000. Appellant argued this sale should not be used as it was sold unfinished (studs only) and contended it was in no way comparable to subject.

Sale No. 3, the improved sale referenced above by Appellant, concerned a 2011 residence with 2,079 square feet spread over two (2) levels. This improved 5.02 acre parcel sold in May 2018 for \$320,000. After Respondent made adjustments for differences, the adjusted sale price was \$234,995.

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 in fee simple interest, 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, 2019 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. Residential property is often valued using the sales comparison approach, which approach generally considers recent sales of nearby similar property.

Appellant brought up two (2) primary arguments in favor of reducing subject’s assessed value. The first centered on seemingly inconsistent market trend adjustments within the general neighborhood. Subject’s specific area saw an increase based on sales which in Appellant’s opinion were not similar to the subject property. While Appellant’s concerns with the trending are understood, the record does not reflect subject’s current assessed value was arrived at through an arbitrary or capricious method of valuation.

The second argument involved the subject residence’s condition rating. It was argued a grade of “fair” condition versus “average” should be used. Appellant provided photographs depicting subject’s condition and deferred maintenance issues. Respondent was not fully aware of subject’s condition issues prior to hearing. Therefore issues with deferred

maintenance and condition were not fully considered. However, Respondent did note the effective year built which was used was 1981 with an average condition rating. Respondent argued this would reasonably account for subject's condition. On the evidence before us, the Board will not disturb Respondent's condition rating. As referenced, the use of an effective age of 1981 would reasonably provide some fair consideration of subject's condition. The Board notes here appraisal is not an exact science, and the Board found cause here to focus its attention on the comparable sales information.

Turning to the sales comparison approach, both parties offered relevant information for review. Appellant focused on two (2) 2018 sales. One sale was a vacant lot located close to to subject which sold for \$38,000. The land area was about twice the size of subject's. Appellant's second sale was an improved property which both parties relied on. This sale was similar to subject, or at a minimum was capable of direct comparison, and sold for \$320,000 in May of 2018. Respondent adjusted the sale for differences compared to subject. Appellant agreed with most of Respondent's analysis which yielded an adjusted price of \$234,995. Appellant suggested relying on this sale supported a value between \$200,000 and \$215,000 where subject's condition is arguably inferior. The sale property includes an attached garage and the residence was 30 years newer than subject's.

Besides the common sale described above, Respondent provided information from two (2) other sales regarded as generally similar to subject. One (1) sale property was improved with two (2) dwellings which in the Board's opinion was not similar in design or amenities. The remaining sale was located two (2) miles from subject and sold in September 2018. This property had an effective year built of 2019. According to Appellant, this property was sold

completely gutted and therefore was not comparable to subject's livable condition. The Board was also strained to see how this sale property reasonably related to subject in any manner.

In accordance with Idaho Code § 63-511, the burden is with the Appellant to establish subject's valuation is erroneous by a preponderance of the evidence. In this case we find the burden met. Although Respondent was found to have reasonably pursued a trended valuation, the direct value evidence shared at hearing including subject photographs and testimony demonstrated the presence of substantial deferred maintenance. After reviewing all the information in record, the Board finds subject's condition should be given further value consideration. However we did not find sufficient support to reduce the assessed value to that petitioned by Appellant.

For the reasons expressed, the decision of the Bonner County Board of Equalization will be modified to reflect a final subject value of \$220,000.

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, MODIFIED to reflect a decrease to \$220,000 (combined land allocation \$52,105, combined improvements allocation \$167,895).

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 19th day of November, 2019.