

BEFORE THE IDAHO BOARD OF TAX APPEALS

JULIE AND LARRY SMITH,)
)
 Appellants,) APPEAL NO. 19-A-1079
)
 v.) FINAL DECISION
) AND ORDER
 ADA COUNTY,)
)
 Respondent.)
)
)
 _____)

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Ada County Board of Equalization denying an appeal of the valuation for taxing purposes on property described by Parcel No. R2968590012. The appeal concerns the 2019 tax year.

This matter came on for hearing October 9, 2019 in Boise, Idaho before Board Member Leland Heinrich. Larry Smith represented Appellants. Chief Deputy Assessor Brad Smith represented Respondent.

Board Members Leland Heinrich, David Kinghorn, 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 Ada County Board of Equalization is modified.

FINDINGS OF FACT

The assessed land value is \$180,500, and the improvements' value is \$383,900, totaling \$564,400. Appellants contend the correct market value is \$387,000.

The subject property is a .78 acre "flag lot" located off Boise Avenue in southeastern Boise, Idaho. The flag pole portion of the lot is a narrow strip roughly 300 feet long which provides access to the residence. The property is improved with a 1960 ranch-style residence with 1,250 square feet on the main level and 1,250 square feet in the basement. Attached to

the residence is a 450 square foot two-car garage. The property is further improved with a 2,190 square foot multi-bay shop with roughly 345 square feet of finished area used as office space. Appellants contended the office should not be considered as living space since there is no bathroom, nor kitchenette.

Appellants argued subject's assessed value has been inequitable starting in 2017. It was contended the new 2017 assessment created an erroneous baseline value to which subsequent value trending for 2018 and 2019 served to only further exacerbate subject's inequitable assessment. Appellants provided some assessment information for properties situated along Boise Avenue. The graphic revealed subject's assessed value has been notably higher since 2017.

In support of reducing subject's current assessment, Appellants detailed deferred maintenance issues concerning the property, and also provided some recent sales data. As for the deferred maintenance items, three (3) were noted: leaky roof, failing retaining wall supporting the garage and cracks in the concrete driveway, sidewalk and front steps. Photographs of these condition issues were provided. Appellants obtained bids from local contractors to repair the deficiencies, which bids totaled approximately \$44,000.

In terms of sales information, Appellants offered three (3) sales from 2018, and one (1) from December 2017. The sites were similar in size to subject's, ranging from .612 to 1.0 acres and all were located within roughly three (3) miles. The sale residences were generally similar to subject in terms of age, design, square footage and bedroom and bathroom count. The sale prices ranged from \$274,900 to \$415,000. This sales information, along with the assessment information above, were regarded by Appellants as strong evidence that subject's current

assessment is excessive.

Respondent explained subject was last reappraised for the 2017 tax year. It was noted to be common for properties to experience larger value changes during a reappraisal year. According to Respondent, the reappraisal was likely the key cause of subject's 2017 increase. For 2019, Respondent reported values in the neighborhood were trended upward from 15.8% to 17.6%. Subject's assessed value increased 15.8%, which Respondent noted was within the range of the other changes. Respondent further pointed out, due to subject's flag lot shape, only .60 acres are being attributed value, with the remainder effectively considered waste.

Turning to market value evidence, Respondent offered information on three (3) sales which occurred during 2018. Two (2) were situated along busy Boise Avenue, and the other was located somewhat back from the street, similar to subject. Sale No. 1 was a 1.48 acre parcel improved with a 2,137 square foot residence constructed in 1965. The property, which also included a 745 square foot swimming pool, sold for \$570,000 in October 2018. Sale No. 2 concerned a 1,808 square foot residence constructed in 1957 attached to a .30 acre lot. This property sold in March 2018 for \$355,000. Sale No. 3 was a 1.906 acre parcel improved with a 2,271 square foot residence constructed in 1957. The property sold in August 2018 for \$652,001. Respondent compared each sale property to subject and made various appraisal adjustments to account for differences in the properties, such as square footage, bathroom count, garage size and outbuildings. A 1.5% upward monthly time adjustment was also applied. After all adjustments, Respondent reported adjusted prices ranging from \$504,180 to \$626,295.

Appellants challenged the comparability of the sale properties located on Boise Avenue.

According to Appellants, both properties were purchased by investors with the intent to subdivide the lots and turn a profit upon resale. Indeed, one (1) of the properties is in the process of subdividing to accommodate fourteen (14) single-family homes. And the other parcel has been split into five (5) lots, two (2) of which have been developed with "million dollar" show homes. In Appellants' view, these sales should be excluded because the properties were purchased with an anticipation of profit, which resulted in inflated sale prices. Respondent argued subdividing after purchase was irrelevant because at the time of sale the properties were single-family residences.

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. The sale comparison approach, the cost approach, and the income approach comprise the three (3) recognized methods for determining market value. *Merris v. Ada Cnty.*, 100 Idaho 59,

63, 593 P.2d 394, 398 (1979). Residential property is often valued using the sales comparison approach, which in basic terms involves an analysis of recent sales of similar property, with appraisal adjustments considered for time of sale, location, and differences in physical attributes.

In an effort to demonstrate subject was inequitably assessed compared to other properties in the area, Appellants provided a graphic depiction of assessed values, which showed subject's value was notably higher than the other properties on the graph. While the Board appreciates these concerns, the record was insufficient to demonstrate subject was inequitably assessed. Subject's assessed value was shown to be higher than the referenced assessments, but very few physical details of these properties were provided. It was ultimately not possible to identify the source of the disparity between the assessed values. It is possible, however, that the variances in assessed values would be attributable to differences in the properties' characteristics, but again without more information it is impossible to know. "[A]n individual who claims that a selective assessment procedure had deprived him or her of the protection guaranteed by the state constitutional requirement of uniformity of taxation must show a deliberate plan to discriminate based upon an unjustifiable or arbitrary classification." *Xerox Corp. v. Ada Cnty. Assessor*, 101 Idaho 138, 144, 609 P.2d 1129, 1135 (1980). The record in this case did not demonstrate subject was deliberately discriminated against or was otherwise valued inequitably.

Appellants' other evidence was better received, particularly with respect to the deferred maintenance items. Photographs of the leaky roof were provided, as well as photographs of the failing retaining wall, and cracked concrete in the driveway, sidewalk and front steps. The

total estimate cost to cure the defects was approximately \$44,000, as per the quotes obtained from local contractors. Respondent did not disagree subject suffers from some deferred maintenance, however, maintained no adjustments were warranted because Appellants had disallowed an onsite inspection of the property. The Board agrees a claimed condition issue or defect by a property owner needs to be verified in order to evaluate and support an adjustment. A physical inspection by the assessor's office, however, is not necessarily required. In this case, Appellants provided numerous photographs of the claimed issues, as well as some limited cost-to-cure information. The Board is strained to see what further evidence might be necessary here to demonstrate the deferred maintenance items exist. We find an adjustment for subject's condition issues is appropriate in this instance.

The Board appreciated the parties' efforts to provide recent sales information, however, there were some concerns regarding the comparability of the sale properties, as well as concerns with some of the analysis. Chief among these concerns was the inclusion and reliance on Respondent's Sale Nos. 1 and 3. Both of these sale parcels were appreciably larger than subject's useful homesite. According to Appellants, they were purchased by investors, not typical owner-occupants. Indeed, both parcels were subdivided after the referenced purchase dates. Respondent argued the sales were valid comparable sales because the properties were single-family residences at the time of sale. We respectfully disagree.

The Board concurs for purposes of assessment and taxation, a property is to be assessed with strong consideration given to its actual and functional use. Idaho Code § 63-208. This requirement, however, relates to the assessment of a property, and not necessarily

to the selection of good comparable sales. With respect to the sales comparison approach, it is necessary to understand as much as possible about not only the physical characteristics of the sale property, but also the circumstances surrounding the transaction itself. This includes the motivations of the buyer and seller if ascertainable. This latter understanding is necessary to evaluate the reliability of the sale price as an indicator of the most probable price for the property being appraised. With respect to Sale Nos. 1 and 3, the record strongly suggests both properties were purchased by buyers with imminent plans to raze the existing residences and to subdivide the parcels in an effort to realize an associated profit. Indeed, both properties were actually subdivided after purchase. These were clearly investor transactions, not typical of single-family residence sales, nor the likely future for subject. As there were multiple other sales in the record involving single-family residences, the Board was reluctant to place much weight on Sale Nos. 1 and 3.

Appellants' sale properties were similar to subject in many key respects, however, an accompanying appraisal analysis was lacking. Rather than make any direct comparisons between the sale properties and subject, Appellants relied more on a consideration of the raw sale prices to indicate a probable range of value for subject. Though this type of bracketing does offer an indication of value, the approach does not provide a particularly strong indication of market value. That being said, the sales did factor in the Board's consideration of subject's current market value.

As the party bringing forth this appeal, Appellants bear the burden of proving error in subject's valuation by a preponderance of the evidence. Idaho Code § 63-511. Based on the evidence provided, we found the burden of proof satisfied, though did not find sufficient support

for the value petitioned by Appellants. Considering the demonstrated deferred maintenance issues and the most comparable sales offered by both parties, the Board is satisfied a downward adjustment to subject's assessed value is warranted. Accordingly, the decision of the Ada County Board of Equalization is modified to reflect a decrease in subject's market value to \$507,800.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Ada County Board of Equalization concerning the subject parcel be, and the same hereby is, MODIFIED to reflect a decrease in subject's market value to \$507,800, with \$180,500 attributable to the land, and \$327,300 to the improvements.

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 Appellants.

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 5th day of February, 2020.