

INVESTIGATION OF ABATEMENT APPLICATION

ABATEMENT No: 4479/4480 (Parcel 02-0084-00010-000 & 02-0078-00030-000 - Menards)

I. Recommended Action

The Tax Director recommends no adjustment to the 2016 value

II. Description

a. Background

- i. NDCC 57-23-04 allows property owners to appeal their assessment through the form of an abatement. Pat Quale, tax consultant for Paradigm Tax Group is representing Menard Inc. for their store located at 1300 13th Ave E in West Fargo.
- ii. Abatement 4479 is requesting a reduction in the 2016 value from \$10,715,200 to \$8,500,000.
- iii. Abatement 4480 is requesting a reduction in the 2016 value from \$332,300 to \$100.
- iv. Paradigm has filed abatements statewide on all the Menard's locations as part of the growing big box trend seen nationwide.
- v. Information provided by the applicant is included in **Addendum A**. The sales presented by the applicant are often in blighted communities where the building has gone vacant and contains numerous deed restrictions.
- vi. The city of West Fargo Assessment office has presented a write-up and review of the abatement shown in **Addendum B**. The information provided from their office includes local comparable sales of properties they have determined similar to the subject.
- vii. I completed a walkthrough of the property along with the West Fargo Assessment Staff on Friday, November 16th. Our review matched up with the current assessment records showing no change that would affect valuation.
- viii. The West Fargo City Commission approved a motion to deny both abatements.

b. Conclusion

- i. My review of the information submitted by both parties shows a lack of representation of the West Fargo market by Paradigm Tax Group. This is especially evident through the local sales provided by the West Fargo Assessment Office as opposed to the blighted sales represented in Paradigm's report.
- ii. It should be noted that many of the "comparable sales" submitted by Paradigm are after the assessment date for the 2016 taxable year.
- iii. It is the Tax Director's opinion that Menard's is assessed appropriately within the commercial mass appraisal model developed by the City of West Fargo for valuation of all commercial property based on location, age, condition, and type of building. **See Addendum C – Property Record Card.**

III. Impact

- a. Any financial impact for the city, county, or other governing body should not be considered in the deliberation of the 2016 assessment of Menards, as the issue is whether the assessment is fair, equitable, and a reasonable estimate of the True and Full Value as defined in North Dakota Century Code (NDCC)
 - i. NDCC 57-02-01.15 *“True and full value” means the value determined by considering the earning or productive capacity, if any, the market value, if any, and all other matters that affect the actual value of the property to be assessed...*
 - ii. NDCC 57-02-11.1 *All real property subject to taxation must be listed and assessed every year with reference to its value, on February first of that year.*
- b. It is the Tax Director’s position that granting the applicant’s request would place the property at an assessment less than similar and larger competing retail properties in West Fargo in 2016 on a per square foot basis.

IV. List of Attachments

- a. Addendum A – Information provided by Menard’s representative
- b. Addendum B – Information provided by City of West Fargo Assessment Office
- c. Addendum C – Property Record Card.

Dated this 7th day of December, 2018



Paul Fracassi
Director of Tax Equalization

Addendum A – Menard’s Tax Rep Information



Assessor's Department

800 4th Ave. E, Suite 1
West Fargo, ND 58078
assessor@westfargond.gov

Telephone: 701-433-5340
Fax: 701-433-5319
assessments.westfargond.gov

11/20/2018

Pat Quale
Paradigm Tax Group
6636 S. Cedar Ave, Suite 160
Richfield, MN 55423

RE: 2016 Abatement for Menards (02-0084-00010-000 & 02-0078-00030-000)

On November 19th 2018 the West Fargo City Commission heard testimony regarding the 2016 abatement filed on the Menards store located at 1300 13th Ave E in West Fargo, ND and an adjacent exempt vacant lot. The assessor's office provided testimony in support of their value and recommended it remain unchanged. No representative was present representing Paradigm Tax Group or the owner of the property Menards Inc. There was written testimony submitted for the meeting by the applicant. The West Fargo City commission voted unanimously to deny the appeal on both properties.

This abatement is now forwarded to Cass County, at which time they will set a hearing date and notify all parties involved. Paul Fracassi, Cass County Director of Tax Equalization will be your contact going forward.

Sincerely,

A handwritten signature in blue ink, appearing to read "Nick R. Lee".

Nick R. Lee
West Fargo, City Assessor

Cc: Paul Fracassi, Director of Tax Equalization

CITY OF WEST FARGO
NOV 10 2 2018

Application For Abatement Or Refund Of Taxes

North Dakota Century Code § 57-23-04

File with the County Auditor on or before November 1 of the year following the year in which the tax becomes delinquent.



State of North Dakota Assessment District West Fargo
County of Cass Property I.D. No. 02-0084-00010-000
Name Menard, Inc. Telephone No. _____
Address 1300 13th Avenue East, West Fargo, ND 58078

Legal description of the property involved in this application:

Lot: 1 Block: 1 Dakota Territory 10th LT 1 BLK 1

Total true and full value of the property described above for the year 2016 is:

Land \$ 2,720,900
Improvements \$ 7,994,300
Total \$ 10,715,200
(1)

Total true and full value of the property described above for the year 2016 should be:

Land \$ 2,500,000
Improvements \$ 6,000,000
Total \$ 8,500,000
(2)

The difference of \$ 2,215,200.00 true and full value between (1) and (2) above is due to the following reason(s):

- 1. Agricultural property true and full value exceeds its agricultural value defined in N.D.C.C. § 57-02-27.2
- 2. Residential or commercial property's true and full value exceeds the market value
- 3. Error in property description, entering the description, or extending the tax
- 4. Nonexisting improvement assessed
- 5. Complainant or property is exempt from taxation. Attach a copy of Application for Property Tax Exemption.
- 6. Duplicate assessment
- 7. Property improvement was destroyed or damaged by fire, flood, tomado, or other natural disaster (see N.D.C.C. § 57-23-04(1)(g))
- 8. Error in noting payment of taxes, taxes erroneously paid
- 9. Property qualifies for Homestead Credit (N.D.C.C. § 57-02-08.1) or Disabled Veterans Credit (N.D.C.C. § 57-02-08.8). Attach a copy of the application.
- 10. Other (explain) _____

The following facts relate to the market value of the residential or commercial property described above. For agricultural property, go directly to question #5.

1. Purchase price of property: \$ _____ Date of purchase: _____
Terms: Cash _____ Contract _____ Trade _____ Other (explain) _____
Was there personal property involved in the purchase price? _____ Estimated value: \$ _____
yes/no
2. Has the property been offered for sale on the open market? _____ If yes, how long? _____
yes/no
Asking price: \$ _____ Terms of sale: _____
3. The property was independently appraised: _____ Purpose of appraisal: _____
yes/no
Market value estimate: \$ _____
Appraisal was made by whom? _____
4. The applicant's estimate of market value of the property involved in this application is \$ _____
5. The estimated agricultural productive value of this property is excessive because of the following condition(s): _____

Applicant asks that the value of the subject be reduced based on the sales of comparable properties.

By filing this application, I consent to an inspection of the above-described property by an authorized assessment official for the purpose of making an appraisal of the property. I understand the official will give me reasonable notification of the inspection. See N.D.C.C. § 57-23-05.1.

I declare under the penalties of N.D.C.C. § 12.1-11-02, which provides for a Class A misdemeanor for making a false statement in a governmental matter, that this application is, to the best of my knowledge and belief, a true and correct application.

Signature of Preparer (if other than applicant) _____ Date 10/30/18 Signature of Applicant _____ Date _____

Recommendation of the Governing Body of the City or Township

Recommendation of the governing board of West Fargo
 On Nov. 19 2018, the governing board of this municipality, after examination of this application and the facts, passed
 a resolution recommending to the Board of County Commissioners that the application be Denied

Dated this 19 day of November 2018 [Signature]
 City Auditor or Township Clerk

Action by the Board of County Commissioners

Application was _____ by action of _____ County Board of Commissioners.
Approved/Rejected

Based upon an examination of the facts and the provisions of North Dakota Century Code § 57-23-04, we approve this application. The taxable valuation is reduced from \$ _____ to \$ _____ and the taxes are reduced accordingly. The taxes, if paid, will be refunded to the extent of \$ _____. The Board accepts \$ _____ in full settlement of taxes for the tax year _____.

We reject this application in whole or in part for the following reason(s). Written explanation of the rationale for the decision must be attached.

Dated _____

 County Auditor Chairperson

Certification of County Auditor

I certify that the Board of County Commissioners took the action stated above and the records of my office and the office of the County Treasurer show the following facts as to the assessment and the payment of taxes on the property described in this application.

Year	Taxable Value	Tax	Date Paid (if paid)	Payment Made Under Written Protest?
				yes/no

I further certify that the taxable valuation and the taxes ordered abated or refunded by the Board of County Commissioner are as follows:

Year	Reduction in Taxable Valuation	Reduction in Taxes

 County Auditor Date

**Application For Abatement
 Or Refund Of Taxes**

Name of Applicant Menard, Inc.

County Auditor's File No. 4479

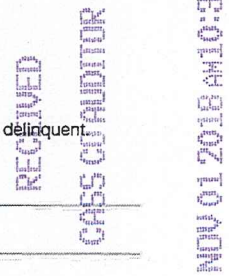
Date Application Was Filed With The County Auditor 11/1/18

Date County Auditor Mailed Application to Township Clerk or City Auditor 11/1/18
(must be within five business days of filing date)

Application For Abatement Or Refund Of Taxes

North Dakota Century Code § 57-23-04

File with the County Auditor on or before November 1 of the year following the year in which the tax becomes delinquent.



CERTIFIED TRUE COPY
NOV 10 2 27 PM '18

State of North Dakota

Assessment District West Fargo

County of Cass

Property I.D. No. 02-0078-00030-000

Name Menard, Inc.

Telephone No. _____

Address 1300 13th Avenue East, West Fargo, ND 58078

Legal description of the property involved in this application:

Retention pond is Exempt

Total true and full value of the property described above for the year 2016 is:

Land \$ 332.300
Improvements \$ _____
Total \$ 332.300
(1)

Total true and full value of the property described above for the year 2016 should be:

Land \$ 265.800
Improvements \$ _____
Total \$ 100
(2)

The difference of \$ 332,200.00 true and full value between (1) and (2) above is due to the following reason(s):

- 1. Agricultural property true and full value exceeds its agricultural value defined in N.D.C.C. § 57-02-27.2
- 2. Residential or commercial property's true and full value exceeds the market value
- 3. Error in property description, entering the description, or extending the tax
- 4. Nonexisting improvement assessed
- 5. Complainant or property is exempt from taxation. Attach a copy of Application for Property Tax Exemption.
- 6. Duplicate assessment
- 7. Property improvement was destroyed or damaged by fire, flood, tornado, or other natural disaster (see N.D.C.C. § 57-23-04(1)(g))
- 8. Error in noting payment of taxes, taxes erroneously paid
- 9. Property qualifies for Homestead Credit (N.D.C.C. § 57-02-08.1) or Disabled Veterans Credit (N.D.C.C. § 57-02-08.8). Attach a copy of the application.
- 10. Other (explain) _____

The following facts relate to the market value of the residential or commercial property described above. For agricultural property, go directly to question #5.

1. Purchase price of property: \$ _____ Date of purchase: _____
Terms: Cash _____ Contract _____ Trade _____ Other (explain) _____
Was there personal property involved in the purchase price? _____ Estimated value: \$ _____
yes/no

2. Has the property been offered for sale on the open market? _____ If yes, how long? _____
yes/no
Asking price: \$ _____ Terms of sale: _____

3. The property was independently appraised: _____ Purpose of appraisal: _____
yes/no
Market value estimate: \$ _____
Appraisal was made by whom? _____

4. The applicant's estimate of market value of the property involved in this application is \$ _____

5. The estimated agricultural productive value of this property is excessive because of the following condition(s): _____

Applicant asks that the value of the subject be reduced based on its' use as a hold pond benefiting all surrounding properties.

By filing this application, I consent to an inspection of the above-described property by an authorized assessment official for the purpose of making an appraisal of the property. I understand the official will give me reasonable notification of the inspection. See N.D.C.C. § 57-23-05.1.

I declare under the penalties of N.D.C.C. § 12.1-11-02, which provides for a Class A misdemeanor for making a false statement in a governmental matter, that this application is, to the best of my knowledge and belief, a true and correct application.

Signature of Preparer (if other than applicant) _____ Date 10/23/18 Signature of Applicant _____ Date _____

Recommendation of the Governing Body of the City or Township

Recommendation of the governing board of West Fargo
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Dated this 19 day of November 2018 [Signature]
 City Auditor or Township Clerk

Action by the Board of County Commissioners

Application was _____ by action of _____ County Board of Commissioners.
 Approved/Rejected

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We reject this application in whole or in part for the following reason(s). Written explanation of the rationale for the decision must be attached.

Dated _____
 _____ County Auditor _____ Chairperson

Certification of County Auditor

I certify that the Board of County Commissioners took the action stated above and the records of my office and the office of the County Treasurer show the following facts as to the assessment and the payment of taxes on the property described in this application.

Year	Taxable Value	Tax	Date Paid (if paid)	Payment Made Under Written Protest?
				yes/no

I further certify that the taxable valuation and the taxes ordered abated or refunded by the Board of County Commissioner are as follows:

Year	Reduction in Taxable Valuation	Reduction in Taxes

_____ County Auditor _____ Date

**Application For Abatement
Or Refund Of Taxes**

Name of Applicant Menard, INC.
 County Auditor's File No. 4480
 Date Application Was Filed With The County Auditor 11/1/18
 Date County Auditor Mailed Application to Township Clerk or City Auditor 11/1/18
(must be within five business days of filing date)



November 14, 2018

VIA EMAIL

Mr. Nick Lee, City Assessor
West Fargo City Commission
800 4th Ave E – Suite 1
West Fargo, North Dakota 58708

RE: Menards Tax Abatement (02-0084-00010-000, 02-0078-00030-000)

Dear Mr. Lee and Commission Members,

Thank you for allowing me to submit this letter as part of my client's abatement application. Unfortunately, my schedule will not allow me to present at the hearing on Monday, November 19 and respectfully request this letter be accepted by the Commission as additional support.

Description of Subject Property

The subject property (02-0084-00010-000) is a warehouse discount store located at 1300 13th Ave East. The property was built in 1998 and later remodeled in 2007 and again in 2017. The gross building area consists of 160,800 square feet of retail space along with 36,360 square feet of covered-unheated staging and storage area. There are also two lumber sheds located to the northwest of the main building. The improvement is situated on approximately 17.11 acres with ample parking. There is a retention pond to the east that serves the subject and adjacent properties. The 2016 assessment is \$10,715,200 or approximately \$67 per square foot.

Sales Comparison Approach

There are three generally accepted approaches to the valuation of real estate: the Cost Approach, the Income Approach and the Sales Comparison Approach. I have considered all three approaches and have determined that the Cost and Sales Comparison approach are the most applicable due to the subject's unique custom characteristics and the owner-user status of other similar properties.

As required by generally accepted appraisal principles, the locational search parameter was expanded into neighboring states to find suitable comparable sales. This was necessary due to the lack of market activity for large, warehouse discount stores in the West Fargo area. My research has revealed a total of 30 discount warehouse stores from Minnesota, Wisconsin and Illinois that sold from 2008 to 2017. The sales range from \$3.64 per square foot to \$70.30 per square foot with an

average of \$32.31 per square foot. The sizes range from 80,076 square foot to 140,684 per square foot with an average of 105,723 per square foot.

Only fee-simple sales that reflect the real estate value were considered as leased-fee sales often entail intangibles that do not reflect the value of the land and building. The intangibles for leased-fee sales often include the credit worthiness of the tenant, the non-market terms of the lease, zero or little cash down for a custom building and the prestige of owning a nationally recognized branded store—to name a few. These intangibles inflate the value of the real estate beyond the true value of the land and building. All 30 sales consist of a fee-simple transfer of the entire bundle of rights for the land and building only.

In addition, all sales involve a former warehouse discount retailer selling to a new warehouse discount retailer and therefore, the highest-and-best use of the property remained as a discount warehouse store before-and-after the sale. This is a critical distinguishing factor in determining the suitability of a comparable sale. The stigma in utilizing comparable vacant warehouse discount retail stores to properly value the fee-simple real estate is the unfounded belief that the sale of a vacant store is inherently inferior due to a poor location or some other economic condition that forced the current user to sell. This belief should be rejected as warehouse discount retail users often purchase other discount retail buildings to occupy and use; the 30 sales clearly demonstrate this.

Applying an average of all sales to the subject, the indicated value is approximately \$5.2 million or \$32 per square foot.

Cost Approach

A cost approach was also considered as a secondary measure of valuation. The cost data was taken from the Marshall and Swift manual, a trusted data source used by valuation professionals. The reconstructed cost before depreciation is approximately \$12.7 million.

Depreciation for Physical, Functional and Economic obsolescence must be considered as part of the Cost Approach. This accounts for the natural aging of various incurable and curable structural components/fixtures in addition to market behavior for certain asset classes and design features. Adequately accounting for depreciation is critical in achieving a credible estimate using the Cost Approach.

The subject is classified by Marshall and Swift as a 30-year life structure and, therefore, depreciates at a straight-line rate of 3.33% per year. As of February 1, 2016, the subject's actual age was 19 years old. Due to the subject's remodel in 2007, the subject's effective age would be lower than its'

actual age. The subject's effective age was conservatively estimated at 9.5 years, half of its' actual age. The indicated physical depreciation is 32% ($9.5/30 = 32\%$).

Functional depreciation accounts for the unique characteristics of the subject that would not command an equal or greater return than the cost to construct such feature. A prudent buyer would not be justified in correcting the current improvements as the costs to cure would be greater than the utility gained. The subject is a custom-built discount warehouse store with features that are designed only for Menards. The size of the store, the interior and exterior finishes, the unheated areas along with the outdoor lumber sheds and the location of the bathrooms are all examples of custom design that have functional issues for other users. A conservative estimate of 5% was applied.

Economic and external depreciation accounts for market factors that are beyond the control of the property. Warehouse discount stores have unusually high depreciation rates due to their unique custom features. Prudent buyers will not pay cost or above cost for a custom building as renovations would be necessary to remodel the building to the desired layout and appearance. A prudent buyer would be in a greater economic position by building its' own custom building as the cost would be less or identical. This is evident in the comparable sales. Take for example sale 24, the former Lowe's in Cambridge, Minnesota. Lowe's built this store in 2009 and sold it three years later to Fleet Farm for \$5,000,000. Assuming a conservative estimate of \$2,000,000 for land value, the 3-year-old building was worth only \$3,000,000. This 140,000 square foot building likely cost a minimum of \$7 million (\$50 per square foot) or more to construct and depreciated more than 50% in only 3 years or almost 17% per year. As such a conservative estimate of 2% per year is applied for economic and external depreciation.

The assessed land value was utilized to arrive at a final depreciated replacement cost value of approximately \$6.7 million.

Request for Parcel 02-0084-00010-000

Based on the data presented in both the sales and cost approach, we are respectfully requesting that the Commission reduce the 2016 assessment from \$10,715,200 to \$8,500,000.

Request for Parcel 02-0078-00030-000

The subject parcel consists of a drainage pond serving the Menards property and other adjacent properties. This parcel is not marketable, does not have a highest-and-best use other than a pond and would provide no value to any one owner. The intrinsic value, if any, and benefits from the pond are reflected in the surrounding parcels. It is not equitable to assess a single owner for a pond that is necessary to achieve the development of other surrounding parcels. As such, we are

requesting the Commission to reduce the value from \$332,200 to a nominal value of \$100 for the 2016 assessment.

Respectfully Submitted,

/s/Lane Thor
Managing Consultant



1300 13th Ave E., West Fargo, ND - Analysis

#	Address	City	State	Building Description	Sale Date	GBA	Year Built	Sale Price	\$/SF
1	2222 Crest View Dr.	Hudson	WI	Wal-Mart	May-15	92,971	1989	\$ 3,800,000	\$ 40.87
2	2700 Pontiac Pl	Janesville	WI	Menards	Apr-17	85,613	1984	\$ 3,200,000	\$ 37.38
3	5800 W Hope Ave	Milwaukee	WI	Lowe's	Jul-16	134,314	2005	\$ 1,500,000	\$ 11.17
4	15333 W. National Ave	New Berlin	WI	Wal-Mart	Jul-17	104,231	1992	\$ 4,600,000	\$ 44.13
5	5801 West War Memorial	Peoria	IL	American TV & Appliance	May-15	126,222	2003	\$ 7,900,000	\$ 62.59
6	2400 U.S. Route 34	Oswego	IL	Lowe's	Feb-14	125,421	2005	\$ 3,650,000	\$ 29.10
7	4100 10th St. Dr.	Moline	IL	Menards	Dec-13	83,430	1991	\$ 3,750,000	\$ 44.95
8	709-733 E. Capitol Dr.	Milwaukee	WI	Jewel Foods	Nov-09	80,076	1984	\$ 2,900,000	\$ 36.22
9	103 Oak Avenue	Menomonie	WI	K-Mart	Mar-15	87,754	1989	\$ 3,090,000	\$ 35.21
10	6300 West Brown Deer Road	Milwaukee	WI	Lowe's	Dec-13	117,609	2006	\$ 4,000,000	\$ 34.01
11	2020 North Spring Street	Beaver Dam	WI	Home Depot	Nov-13	102,513	2006	\$ 2,500,000	\$ 24.39
12	3015 Tower Ave	Superior	WI	K-Mart	May-17	89,010	1978	\$ 2,150,000	\$ 24.15
13	7701 Calumet Road	Milwaukee	WI	Sams Club	Mar-17	138,480	1991	\$ 2,992,000	\$ 21.61
14	1001 Highway 23 Byp N	Marshall	MN	K-Mart	Feb-17	94,688	1989	\$ 1,850,000	\$ 19.54
15	404 Schilling Drive	Dundas	MN	K-Mart	Jan-17	94,479	1990	\$ 2,750,000	\$ 29.11
16	1606 Highway 11	International Falls	MN	K-Mart	Jun-16	83,552	1981	\$ 2,200,000	\$ 26.33
17	1100 West Highway 10	Anoka	MN	K-Mart	Apr-16	86,479	1991	\$ 4,000,000	\$ 46.25
18	4405 NE Pheasant	Blaine	MN	Wal-Mart	Jan-16	140,684	2002	\$ 5,200,000	\$ 36.96
19	1215 North State Street	Fairmont	MN	K-Mart	Oct-15	89,291	1970	\$ 325,000	\$ 3.64
20	7210 E Point Douglas Rd	Cottage Grove	MN	Home Depot	Jun-15	95,096	2002	\$ 2,250,000	\$ 23.66
21	5150 Highway 52 NE	Rochester	MN	Menards	Mar-15	93,000	1971	\$ 4,093,937	\$ 44.02
22	380 33rd Ave S.	St. Cloud	MN	Wal-Mart	Oct-14	119,141	1991	\$ 2,265,000	\$ 19.01
23	300 W 7th St.	Monticello	MN	Runnings	Aug-13	87,097	2000	\$ 2,420,000	\$ 27.79
24	2324 3rd Ave NE	Cambridge	MN	Mills Fleet Farm	Oct-12	140,000	2009	\$ 5,000,000	\$ 35.71
25	3100 West Highway 13	Burnsville	MN	Menards	Oct-12	119,498	1978	\$ 2,590,000	\$ 21.67
26	1400 18th Ave NW	Austin	MN	Runnings	Sep-12	96,534	1991	\$ 3,200,000	\$ 33.15
27	13800 Rogers Drive	Rogers	MN	Lowe's	Aug-12	120,316	2006	\$ 3,200,000	\$ 26.60
28	19146 Freepport Street NW	Elk River	MN	Target	Jan-09	89,827	1995	\$ 3,400,000	\$ 37.85
29	1360 Town Centre Drive	Eagan	MN	Wal-Mart	Dec-10	119,234	1991	\$ 2,630,000	\$ 22.06
30	9450 Dunkirk Lane N	Maple Grove	MN	Target	Jan-08	135,132	1998	\$ 9,500,000	\$ 70.30

Low	80,076	1970	\$ 325,000	\$ 3.64
High	140,684	2009	\$ 9,500,000	\$ 70.30
Average	105,723	1993	\$ 3,430,198	\$ 32.31
Median	95,815	1991	\$ 3,145,000	\$ 31.13

Applying All Sales

Valuation Estimate of Subject		
Subject GBA	160,800	
Year Built	1997	
Indicated Value Range	Total	\$/SF
Low	\$585,277	\$3.64
High	\$11,304,502	\$70.30
Average	\$5,196,135	\$32.31
Median	\$5,005,378	\$31.13

2016 Assessed Value	\$/SF
\$10,715,200	\$66.64
2016 Requested Value	\$/SF
\$8,500,000	\$52.86

Applying Only MN Sales

Valuation Estimate of Subject		
Subject GBA	160,800	
Indicated Value Range	Total	\$/SF
Low	\$585,277	\$3.64
High	\$11,304,502	\$70.30
Average	\$4,953,138	\$30.80
Median	\$4,467,846	\$27.79

Applying Only 2000> Year Built Sales

Valuation Estimate of Subject		
Subject GBA	160,800	
Indicated Value Range	Total	\$/SF
Low	\$1,795,792	\$11.17
High	\$10,064,173	\$62.59
Average	\$5,016,554	\$31.20
Median	\$4,573,723	\$28.44

Applying Only Wisconsin Sales

Valuation Estimate of Subject		
Subject GBA	160,800	
Indicated Value Range	Total	\$/SF
Low	\$3,474,246	\$21.61
High	\$6,572,372	\$40.87
Average	\$4,972,381	\$30.92
Median	\$5,468,969	\$34.01



Address 1300 13th Ave E., West Fargo, ND
PID 02-0084-00010-000
Year Built 1997
GBA 160,800 sf
Building Ht 26 ft
Perimeter 1,700 ft
Mezz 22,126 sf
Unheated Storage 36,360 sf
Land Size 745,431 sf

M&S Classification Warehouse Discount Stores
Class Class C, Average/Low Cost
Base Cost \$ 50.13

Base Cost	\$50.13	(section 13, page 28)
Refinements		
Heating and Cooling	\$12.36	(section 13, page 39)
Sprinklers	\$2.75	(section 13, page 40)
Total Base Cost	\$65.24	

Refinements		
Perimeter Multiplier	0.776	(section 13, page 41,42)
Story Height Multiplier	1.298	(section 13, page 42)
Current Cost Multiplier	0.99	(section 99, page 3)
Location Multiplier	1.02	(section 99, page 9)
Retrospective Multiplier	0.935	(section 99, page 4)
Refined Base Cost	\$62.03	

Total Base Cost	\$9,974,549	
Estimated Site Improvements	\$500,000	
Unheated SF	\$909,000	
Storage Shed	\$200,000	
Mezz	\$221,260	
Developer's Profit	\$928,385	
Final Total Base Cost	\$12,733,194	

Depreciation		
Physical	29.0%	
Functional	5.0%	
Economic/External	34.0%	
Total Depreciation	68.0%	

Replacement Cost Less Depreciation	\$4,074,622	
Estimated Land Value	\$2,720,900	(2016 assessed value)
Final Replacement Cost	\$6,795,522	

Addendum B – West Fargo Information



Assessor's Department

800 4th Ave. E, Suite 1
West Fargo, ND 58078
assessor@westfargond.gov

Telephone: 701-433-5340
Fax: 701-433-5319
assessments.westfargond.gov

11/15/2018

West Fargo City Commissioners

RE: 2016 Abatement 1300 13th Ave E, West Fargo (02-0084-00010-000 & 02-0078-00030-000)

At the November 19th commission meeting you will be hearing an abatement filed by Menards. This property is located at 1300 13th Ave E and owned by Menard Inc. Menards is represented by the tax representative firm Paradigm Tax Group from Minneapolis, MN. Menards is appealing the value on all of their properties statewide for the 2016 assessment year through formal abatements. As you may recall this property appealed their value at our equalization board in 2015, resulting in a "no change" decision at the time. This abatement is in-line with the current national trend of 'big box' stores filing appeals on nearly all of their properties, and on appeal, trying to implement their definition of market value. This definition uses only "comparable sales" of empty, large big-box stores, many of which are old and riddled with restricted use covenants. This approach has been implemented in a number of other states with varying success, and it appears North Dakota is next on their list.

As of Feb. 1 2016, the subject property was a 160,800sf retail store built in 1997 with garden area and lumber storage added in 2005/06. Menards has been issued multiple permits since being built; in line with a property that is being well maintained. This parcel consists of 745,431sf of land, and is located near the northeast corner of 13th Ave E and 9th St E; one of the busiest intersections in town.

Our valuation model is designed to ensure uniformity of values between all property types. Values determined using this model proceeded through all boards of equalization and were adopted in mid-2016. Individual challenges of these values are done by abatement for up to one year after the taxes would be delinquent (approx. 2 years after they were initially billed). Any abatement filed must contain enough evidence to prove an assessment is excessive or illegal, or be denied.

After reviewing pre-2016 sales of similar properties, our findings indicate that local similar properties sold for approximately \$108/sf. Our 2016 value was \$10,715,200 or \$67/sf, which means we were at 62% of those sales. A major revaluation of properties in this area was completed for the 2018 assessment (after completion of the remodeling and minor addition in late 2016 of this store) and an assessed value of \$14,724,700 or \$92/sf was determined for this property.

It is our recommendation that no adjustment be made to the value of this property for 2016.

Sincerely,

A handwritten signature in black ink, appearing to read "Nick R. Lee".

Nick R. Lee
West Fargo, City Assessor



PIN: 02-0084-00010-000 & 02-0078-00030-000
Address: 1300 13th Ave E
Owner: Menard Inc.
SF/ Land: 745,431
Year Built: 1997/2005/2006
SF/ Building: 160,800 (Main)
42,496 (Warehouse)
A16 Value: \$10,715,200 or \$67/sf

Construction Notes: The Menards building as of Feb. 1 2016 was a 160,800sf concrete tilt-up, large retail building located along 13th Ave E. It was originally built in 1997 with storage warehouses added in 2005 and garden area added in 2006. **Please note:** Over the course of 2016 there was also an addition added as well as a considerable interior remodel. For the purposes of this 2016 appeal, these alterations are to be ignored as the 2016 value should only include what stood as of Feb. 1 of that year.

Appeal Notes: The appeal in question was received on Nov. 1 2018, the last day to file appeals for 2016. On this same date every other jurisdiction in North Dakota containing a Menards also received an appeal. There was no supporting information included with the abatement application and no contact was made with our office prior to it being filed.

*Parcel 02-0078-00030-000 is a retention pond and is exempt from taxation. I have to believe this was an oversight by the appellant, so my workup is only regarding the main parcel containing the store.

Comparable Sale Notes: I have the 2016 assessed values for all the Menards in the state, as well as a list of regional sales most comparable to the subject property. It is important to remember that for a prior year appeal such as this, sales are not to be used from anytime after Jan. 1 of the year for which the appeal is filed. (No sales after Jan. 1 2016 in this case)

You will notice, compared to the assessments on other Menards stores in the state, the West Fargo store is the lowest. Also, our value was considerably lower than comparable sales in our area. It would be expected that our value would be marginally lower, as this store is quite large, however the disparity between the sales and this store are significant. The 2016 assessment was prior to our major reassessment for the 2018 assessment which increased the value significantly based on our new analysis.

The appellant's sales analysis is included and features a more broad regional sales array. Aside from making sure to only use sales previous to 1/1/2016, there appears to be no real narrative regarding how these markets compare to our local market. Also we must consider that the sellers of most of these properties are notorious for including restrictive use covenants. A big box store will use restrictive use covenants to ensure retailers of similar products don't ever use the property. This self imposed restriction obviously reduces the market of buyers and in turn can reduce the sale price. Overall I feel the information received is not compelling enough to warrant a reduction.

Recommendation: No Change in Value for 2016 Assessment

2016 Menards Comparison

City	Land Value	Lot Size	Lot/sf	Yr Blt	Bldg Value	Main	Warehouse	Garden	Mezzanine	Total Sq Ft	Bldg/sf	Total
Dickinson	\$ 6,063,000	898,643	\$ 6.75	2014	\$ 23,902,200	179,095	72,760	27,648	23,659	303,162	\$ 78.84	\$ 29,965,200
Williston	\$ 6,618,500	823,720	\$ 8.03	2015	\$ 23,188,100	197,373	67,008	37,050	20,000	321,431	\$ 72.14	\$ 29,806,600
Minot	\$ 5,111,000	764,640	\$ 6.68	1995	\$ 13,587,000	168,000	52,650	23,760	10,000	254,410	\$ 53.41	\$ 18,698,000
Bismarck	\$ 4,741,000	702,370	\$ 6.75	1999	\$ 11,006,400	169,980	42,036	14,400	10,964	237,380	\$ 46.37	\$ 15,747,400
Grand Forks	\$ 3,058,000	670,870	\$ 4.56	2005	\$ 11,282,700	162,328	53,234	23,760	20,989	260,311	\$ 43.34	\$ 14,340,700
Jamestown	\$ 2,216,400	886,547	\$ 2.50	2015	\$ 9,686,100	158,400	39,128	23,760	10,989	232,277	\$ 41.70	\$ 11,902,500
Moorhead	\$ 3,856,700	771,341	\$ 5.00	2006	\$ 7,343,300	160,136	22,460	40,608	2,207	225,391	\$ 32.58	\$ 11,200,000
West Fargo	\$ 2,720,900	745,431	\$ 3.65	1997	\$ 7,994,300	160,800	42,726	23,760	9,855	237,141	\$ 33.71	\$ 10,715,200

Menards

13th Ave Land Comparison

Subject	Parcel	Address	Assessed Land Value	Lot Size SF	\$/SF	DBA
	02-0084-00010-000	1300 13 Ave E	\$ 2,720,900	745,431	\$ 3.65	Menards

Comparable Sales

Parcel	Address	Sold Date	Sale Price	Lot Size SF	\$/SF	Notes	DBA
02-0092-00010-000	1010 13th Ave E	7/15/2015	\$ 335,341	27,722	\$ 12.10	Recent Pad Sale	Amish Furniture
02-1415-00010-000	1201 9th St E	9/5/2012	\$ 549,600	44,746	\$ 12.28	Plus DEMO -- Pad Site (corner 9th and 13th Ave)	Firestone
02-0084-00020-000	925 10 Ave E	6/29/2007	\$ 951,931	211,523	\$ 4.50	Zoned PUD -- behind subject	Moore Engineering
02-0082-00010-000	1638 13th Ave E	9/22/2003	\$ 677,766	112,961	\$ 6.00	Shopping Center Site old	Michaels
02-0081-00040-000	1620 13 Ave E	8/6/2003	\$ 430,000	47,438	\$ 9.06	Pad Site old	Hot Springs Spa
02-0083-00020-000	1660 13 Ave E	4/24/2003	\$ 681,733	72,983	\$ 9.34	Pad Site old	Spitfire
02-0081-00020-000	1150 17 St E	10/15/2002	\$ 787,692	131,302	\$ 6.00	Shopping Center Site old	Slumberland
			Median		\$ 9.06		
			Average		\$ 8.47		

Large Retail Sales

Subject	Parcel	Address	Lot SF	Bldg SF	Year Blt	Assessed Value	\$/SF	DBA
	02-0084-00010-000	1300 13 Ave E	745,431	160,800	1997	\$ 10,715,200	\$ 66.64	Menards

Comparable Sales

Parcel	Address	Lot SF	Bldg SF	Year Blt	Sold Date	Sale Price	\$/SF	DBA
01-3600-00230-000	4101 13th Ave S, Fargo	521,038	53,882	1973	7/31/2014	\$ 9,843,860	\$ 182.69	Village West Shopping Center
01-7340-00100-000	2121 43rd St S, Fargo	308,833	66,880	2004	11/14/2013	\$ 9,282,300	\$ 138.79	Gander Mountain
02-0078-00020-000	1500 13th Ave E	361,155	90,551	2001	7/22/2013	\$ 8,336,276	\$ 92.06	Marshalls
01-3600-00255-000	1201 42 St S, Fargo	161,493	48,004	1994	7/1/2013	\$ 5,161,100	\$ 107.51	Barnes & Noble / Petco
01-0277-00010-000	4427 13th Ave S, Fargo	365,989	95,096	1991	5/30/2013	\$ 7,425,400	\$ 78.08	Hobby Lobby
			Median			\$ 107.51		
			Average			\$ 119.83		

11/7/2018

Pat Quale
Paradigm Tax Group
6636 S. Cedar Ave, Suite 160
Richfield, MN 55423

NOTICE OF HEARING

This letter is to inform the owner/representative of parcels 02-0084-00010-000 & 02-0078-00030-000 (1300 13th Ave E West Fargo, ND) that their Application for Abatement or Refund of Taxes has been received by the City of West Fargo, and a hearing set for **Monday, November 19th 2018**. The hearing will be during the course of the scheduled City Commission meeting which starts at 5:30pm in the West Fargo Commission Chambers, located at 800 4th Ave E West Fargo ND.

Please make arrangements with the Assessor's office to inspect your property prior to the hearing as per your obligation under N.D.C.C. 57-23-05.1. Additionally it is highly recommended that you submit any supporting documentation you wish the commission to consider prior to the agenda deadline on 11/15/18 at 2pm.

Sincerely,

Tina Fisk
West Fargo, City Auditor

Addendum C – Property Record Card

1300 13 AVE E, WEST FARGO Plat Map: Subdivision: 0084: DAKOTA TERRITORY 10TH Deeded Acres: 0.000
 Current Owner/Address DBA: MENARDS Comp ID: Map Area: Comm 10 - 13th COR
 MENARD INC (D) Section: Township: Range: Block: 1 Lot: 1
 4777 MENARD DR Checks/Tags: Lister/Date: NL, 01/13/2017 Reviewer/Date:
 EAU CLAIRE WI 54703-9604 Loc/Class: Urban/Commercial Tax District: CITY OF WEST FARGO Entry Status:

Legal: LOT 1 BLK 1 DAKOTA TERRITORY 10TH

Basis	Front	Rear	Side 1	Side 2	R. Lot	SF	Acres	Unit Price	T/E/O%
SF X Rt						43,560.00	1.000	\$8.00	0/0/0
SF x Rt 2						87,120.00	2.000	\$7.00	
SF x Rt 3						614,751.00	14.113	\$5.75	
Sub Total						745,431.00	17.113		
Grand Total*						745,431.00	17.113		

*Includes all land areas

Notes

Residential Dwelling - NO BUILDING DATA

Occupancy
 Style
 Arch Style
 Year Built EYB EFA
 Area SF TLA GLA
 Ttl Rms Ttl Bdrms
 Bsmt/Attic
 Heat/AC
 Bsmt Finish 1
 Bsmt Finish 2
 Fireplace 1
 Fireplace 2
 Fireplace 3
 Full/Half Baths Other/Total Fixtures
 Decks & Patios
 Porches
 Ext Wall Roof
 Veneer 1
 Veneer 2
 Bsmt Stalls/Total Garages Ttl Additions

Base Price
 Basement Adjustment
 Attic Adjustment
 No Heat Adjustment
 Central AC Adjustment
 Adjusted Base
 Finish
 Single Siding
 Exterior
 Fireplaces
 Plumbing/Appliances
 Attached Garages
 Basement Stall
 Base Total
 Physical Value
 Total Less Obsolescence
 Extras
 Additions
 RCN
 Detached Garages
 Total Bldg (RND)

	Appraised	Board of Review	State Equalized	With Exemptions
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Land F				
Land				
Land C	\$4,493,100			
Dwlg				
Impr	\$10,231,600			
Total	\$14,724,700			

	PrYr 2018	PrYr 2017	PrYr 2016
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Land F	\$0	\$0	\$0
Land	\$0	\$0	\$0
Land C	\$4,493,100	\$2,720,900	\$2,720,900
Dwelling	\$0	\$0	\$0
Impr	\$10,231,600	\$8,474,000	\$7,994,300
Total	\$14,724,700	\$11,194,900	\$10,715,200

Yard Extras Cnt Year Cond Depr F/E/O%

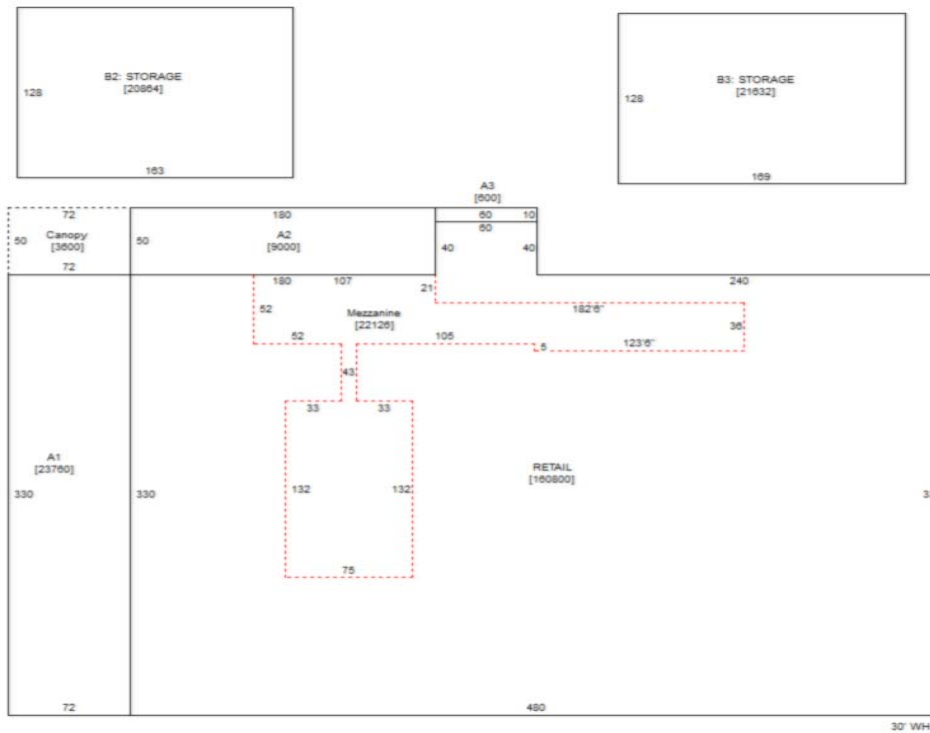
Paving - Asphalt - 450,000 SF, Asphalt w/Curbs, AVG Pricing, Lighting: AVG 1 1997 NML 60.00 0/0/0

Commercial Buildings	Area	Year	Cond	Depr	F/E/O%	Value
202/202 - Store - Retail Large (> 10000 SF) - RETAIL	160,800	1997	NML	32.00	0/0/0	\$7,643,300
707/707 - Lumber Storage Shed - B2: STORAGE	20,864	2005	NML	33.00	0/0/0	\$335,500
707/707 - Lumber Storage Shed - B3: STORAGE	21,632	2005	NML	33.00	0/0/0	\$347,800

Additional Notes:

Permission to Inspect

Date



**Sketch has been scaled to fit in this area



Ph 1 of 2 05/03/2016

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