



## Equalization Department

Box 2806  
211 Ninth Street South  
Fargo, ND 58103

Telephone: 701-241-5616  
Fax: 701-241-5729  
[assessor@casscountynd.gov](mailto:assessor@casscountynd.gov)

---

### Staff Report for Abatement 4487

September 11, 2020

**City:** Fargo

**Appellant:** Scheels All Sports, Inc. – Represented by Stephanie Nyhus of the tax firm Ducharme, McMillen & Associates (DMA).

**Location:** 1551 45<sup>th</sup> St S – **Parcel Number** 01-7640-00100-000

**Issue:** Ms. Nyhus is requesting a reduction in value from \$28,286,000 to \$25,397,000

#### Summary

The value of Scheels All Sports was reviewed and adjusted at the Fargo City Board of Equalization on May 5<sup>th</sup>, 2020 after Ms. Nyhus requested a further look into how the property was valued. Prior to the City Board, The Fargo Assessing Office and myself reviewed the property along with Ms. Nyhus on April 28<sup>th</sup>, 2020 due to her appeal of the valuation.

#### Analysis

The Fargo Assessing Office revalued the property using the Marshall & Swift cost manual, adjusted specifically for the city of Fargo. During the review they corrected the building characteristics which are noted in their summary. The main reasons for the value adjustment were that previous records included basement office space that was actually open warehouse. It was also determined that the office & retail finish was of a lesser quality than previously listed. These changes resulted in a reduction to both the office and retail price per square foot.

All approaches to value were reviewed during the reappraisal and can be found in the summary provided by the Fargo Assessment Office. The new value is the result of the cost approach.

#### Recommendation

It is my recommendation to approve the adjustment of the 2018 value to \$25,397,000 as previously approved by the Fargo Assessing Office and the Fargo City Commission.



APPROVED BY THE BOARD  
OF CITY COMMISSIONERS

Aug. 10, 2020

**ASSESSMENT DEPARTMENT**

August 6, 2020

31

Board of City Commissioners  
City Hall  
Fargo, ND 58102

Dear Commissioners:

Attached is the *Application for Abatement or Refund of Taxes #4487* for the 2018 tax year filed by Scheels All Sports, Inc. Application #4487 is requesting a reduction in value from \$28,286,000 to \$25,397,000 for 2018. This is subsequent to a reduction in the 2020 value performed for an appeal during the 2020 Board of Equalization process.

The Scheels All Sports is primarily a large retail facility, with adjoining office space, which serves as their corporate headquarters. The building also has an extensive basement area, with office and warehouse space.

We have included information regarding how this property was valued and how the value under appeal compares to similar properties for equity purposes. The reduction in value was a result of a correction in data and a recalculation given the new information.

**SUGGESTED MOTIONS:**

**Approval of Application for Abatement or Refund of Taxes #4487 on 1551 45<sup>th</sup> St. S. and reduction of the value to \$25,397,000 for the 2018 tax year.**

Sincerely,

A handwritten signature in black ink that reads "Mike Spionkowski".

Mike Spionkowski  
Fargo City Assessor

---

City of Fargo Assessment Department

---

# Scheels All-Sports

---

2018 ~ True & Full Value Appeal

---



# *Scheels All-Sports*

Parcel Number: 01-7640-00100-000

**1554 45 St S**

Owner: *Scheels All Sports, Inc.*

## Summary

Scheels All-Sports is appealing the 2018 assessed valuation via an authorized entity. The appellant is not, at this time, filing for abatement on the 2019 tax year. They are considering future appeals for 2019 and 2020 based on a potentially lower fee appraisal. The appellant requests a value of \$25,397,000. This would be a reduction of \$2,889,000 or approximately 10%.

The abatement application stems from a reduction by the 2020 City of Fargo Board of Equalization. The appellant is requesting the same valuation be placed on the property for the 2018 tax year. For the 2020 tax year, the Assessment Department made corrections to the building characteristics.

The corrected building characteristics included: total square footage (+912sf), basement square footage (+626sf), paving amounts and pricing, dock leveler counts, added mezzanine, basement occupancy and finishing changes, fire sprinkler changes, wall-heights, and building quality changes on the retail portion.

The property was re-valued for equalization via our cost model. We arrived at a reduced value of \$25,397,000, representing a decrease of \$2,889,000. That valuation was approved at the City Board of Equalization Meeting on May 5<sup>th</sup> 2020.

We examined the income approach, analyzed sales of retail properties, valued the property with our cost model, and performed an equity analysis. The cost model remains the best way to value this property, both in terms of equity (all other properties are valued this way), and appraisal theory (successful, operating big box stores rarely sell in a fee-simple manner). In addition, the availability of reliable information on terms of sale, income and expenses, and capitalization rates for a property of this complexity makes going outside of our valuation model problematic at best.

In terms of price per square foot, the equity analysis suggests the 2018 value is on the high end (above the 3<sup>rd</sup> quartile) of the comparable properties with regard to the retail space and office space. The trend is exaggerated if looking at above grade area only. These conclusions hold true when looking at the equity analysis for building values only.

For 2018, we recommend reducing the value to \$25,397,000, representing a decrease of \$2,889,000 or approximately 10%.

## ASSESSMENT DEPARTMENT RECOMMENDATION

**Reduce the value to \$25,397,000 for 2018 assessment.**

# ***Scheels All-Sports***

Parcel Number: 01-7640-00100-000

***1554 45 St S***

Owner: Scheels All Sports, Inc.

## **Appellant**

On June 1st, 2020 our office received an "Application For Abatement Or Refund Of Taxes", dated 05/20/2020, from Scheels All Sports, Inc. (Scheels) via an authorized entity. The tax firm representing Scheels is Ducharme, McMillen & Associates (DMA). The primary contact at DMA is Stephanie Nyhus. Ms. Nyhus lists her business address as Eden Prairie, Minnesota.

## **Appellant Analysis**

The appellant requests a value of \$25,397,000. This would be a reduction of \$2,889,000 or approximately 10%. The requested valuation is for the 2018 tax year only. Per Ms. Nyhus of DMA, the appellant may file similar abatements for the 2019 and 2020 tax years based on a potentially lower fee appraisal that would be obtained at a later date.

The appellant asks for the lower valuation for the following reason:

*"The assessor decreased the market value for the 2020 assessment for taxes payable 2021 due to correcting the property characteristics and a change in the model. We request the same changes be made for the 2018 assessment for taxes payable in 2019."*

## **Property Information**

The property in question is the flagship Scheels retail store and attached corporate headquarters.

Construction began on the property in 2005. The building was valued as complete for the 2007 tax year. The building contains 164,107 square feet above grade. It is divided into retail and office space, with the former occupying approximately 77% of the building. There is also a full basement underneath, which measures 84,557 square feet. The building is divided up as follows:

	<i>Size (SF)</i>
Retail	126,362
Office	37,745
<b>Above Grade Building Area:</b>	<b>164,107</b>
Basement Office (GBA Office)	33,803
Basement Warehouse (GBA Retail)	44,815
Basement Light Mfct (GBA Retail)	6,547
<b>Gross Building Area:</b>	<b>249,272</b>
Retail (Gross Building Area)	177,724
Office (Gross Building Area)	71,548

The property is located at 1554 45 St S. That location experiences high visibility and heavy traffic counts. The street is a primary arterial road that has access to Interstate-94 and Interstate-29 via the adjacent 45<sup>th</sup> Street and 13<sup>th</sup> Avenue corridors. This is the retail heart of the Fargo-Moorhead metropolitan area.

# Scheels All-Sports

Parcel Number: 01-7640-00100-000

1554 45 St S

Owner: Scheels All Sports, Inc.

## Construction & Financing History

Scheels was constructed via conventional financing. There is a mortgage history for the land acquisition and subsequent construction. Also on file, there is a second mortgage on the entire property. Exact construction costs are unknown to this office.

Doc #	Instrument	Date	Loan Amt	LTV Min	LTV Max	Ind. Value Low	Ind. Value High	Sale Price	Notes
962113	Mortgage	08/03/2000	1,890,000	-	-	-	-	2,100,000	Land Loan
1137371	Mortgage	05/12/2005	32,000,000	70%	90%	45,714,286	35,555,556	-	Construction Loan with UCC Filing
1201142	Mortgage	05/01/2007	108,692	-	-	-	-	-	Mortgage Redemption with UCC Filing
1281511	Mortgage	11/12/2009	31,000,000	60%	85%	51,666,667	36,470,588	-	8-Year Re-finance with UCC Filing
1592523	Mortgage	05/04/2020	65,000,000	60%	80%	108,333,333	81,250,000	-	Revolving Line of Credit, UCC Filing, Collateral bundled

*\*Loan to value ratios provided by RealtyRates.com. They are historical to the year of mortgage.*

Based on the mortgage from 2005, we estimate the total construction cost (including fixtures and other business assets) to be between \$35.5M and \$45.5M. The land cost is unclear due to the convoluted nature of acquisition. A 398,362 square foot portion of the current land configuration was bought in August 2000 for \$2,100,000 or \$5.27 per square foot. The remaining 122,061 square feet was acquired later at an undisclosed price. That portion of the cost of construction appears irrelevant because the lot loan was satisfied with the construction mortgage.

In 2009, secondary financing appears to have been secured via mortgage. It is possible to extrapolate a fee appraised value from this \$31M loan. Loan to appraised value ranges in the Fall of 2009 were surveyed to be between 60% and 85%. These ratios indicate an appraised value (including fixtures and other business assets) of between 36.5M and 51.5M.

The 2020 mortgage was dated May 4<sup>th</sup>. It was recorded on June 2<sup>nd</sup>, 2020. Per Scheel's, the mortgage was in response the COVID-19 pandemic and was not needed. The \$65,000,000 lien included the Fargo Scheels flagship store, the Billings Montana property (192,714 sf retail space, built 2013), and business assets in the Fargo market area. This was confirmed with Bell Bank (the lender), and via UCC filings for the three Fargo properties, and the Deed of Trust recorded for the Billings property. Scheels representatives also assume that UCC filings were included for the Billings Montana property. Despite requests from the Assessment Department, Scheels has not provided an allocation of collateral used for this loan. Per Scheels representatives, there was no fee appraisal completed.

# Scheels All-Sports

Parcel Number: 01-7640-00100-000

1554 45 St S

Owner: Scheels All Sports, Inc.

## Assessment History

The 2018 valuation of 1554 45 St S is \$28,286,000. That valuation represents an increase of 3% on the prior year's valuation due to a reappraisal of retail property.

Year	Land Value	Building Value	Total Value	% Change	Change Reason
2020	5,464,000	19,933,000	25,397,000	-10%	City BOE
2019	5,464,000	22,822,000	28,286,000	0%	
2018	5,464,000	22,822,000	28,286,000	3%	Reappraisal
2017	3,382,000	24,088,000	27,470,000	0%	
2016	3,382,000	24,088,000	27,470,000	-	

The Scheels value can be broken up into two parts: the retail portion and the office portion. The retail portion is deemed to include the above grade retail area, and the below grade warehouse and light manufacturing. The office portion is deemed to include all building area dedicated to office use, including the training portion in the basement. The 2018 value of 28,286,000 can be allocated by using the depreciated cost breakdown of the building without extras. Then taking those ratios and applying them to the total value.

We estimate the retail portion of Scheels to compromise about 62% of the value, and the office portion to be worth 38%:

	2018 Value	% of Value	Size (Above Grade)	\$/SF (Above Grade)	Size (Gross)	\$/SF (Gross)
Retail	17,449,382	61.7%	126,362	138.09	177,724	98.18
Office	10,836,618	38.3%	37,745	287.10	71,548	151.46
<b>Total</b>	<b>28,286,000</b>		<b>164,107</b>	<b>172.36</b>	<b>249,272</b>	<b>113.47</b>

	Proposed 2018 Value	% of Value	Size (Above Grade)	\$/SF (Above Grade)	Size (Gross)	\$/SF (Gross)
Retail	15,667,183	61.7%	126,362	123.99	177,724	88.15
Office	9,729,817	38.3%	37,745	257.78	71,548	135.99
<b>Total</b>	<b>25,397,000</b>		<b>164,107</b>	<b>154.76</b>	<b>249,272</b>	<b>101.88</b>

# Scheels All-Sports

Parcel Number: 01-7640-00100-000

# 1554 45 St S

Owner: Scheels All Sports, Inc.

## Equity Analysis

Comparing the Scheels property to others is filled with peril. The Scheels property has a full basement. There are few properties of this size, retail or office, which have this feature. The presence of the basement inflates the value per square foot of above grade area, and deflates the value per square foot of gross building area. It remains beneficial to examine how Scheels compares to its competitors. Overall, the 2018 values appear to be on the high-end of the range for both retail and office property values. This is true in both above grade area (albeit, exaggerated), and based on gross building area (higher than the 3<sup>rd</sup> quarter) in both cases.

## Retail

We examined the 2018 assessed values of non-mall anchored retail properties that were larger than 50,000 square feet. We found 21 properties within Fargo that fit this criteria. The average value per square foot was \$87.03, the median was \$87.13.

Address	Building Name	Bldg Value	T&F Value	GBA	\$/SF	\$/SF Bldg
5100 14 AVE S	GORDMAN'S	4,446,000	5,968,000	55,723	107.10	79.79
1600 45 ST S	ASHLEY FURNITURE	5,377,900	7,354,900	83,407	88.18	64.48
2121 43 ST S	GANDER MOUNTAIN	3,888,900	7,594,900	66,282	114.58	58.67
1321 19 AVE N	CVS / CHILDREN OF HOPE	2,932,100	3,418,100	50,909	67.14	57.59
4601 23 AVE S	HOM FURNITURE	6,798,700	9,825,700	120,419	80.77	55.88
3730 36 ST S	FLEET FARM	12,044,000	18,974,000	217,776	87.13	55.30
3757 55 AVE S	WALMART	10,525,300	20,535,300	191,151	107.43	55.06
4444 13 AVE S	KOHL'S	5,518,000	8,844,000	100,658	87.86	54.82
4202 13 AVE S	TARGET	6,774,000	11,080,000	132,550	83.59	51.11
4427 13 AVE S	HOBBY LOBBY	4,840,000	8,134,000	95,096	85.53	50.90
4700 17 AVE S	HOME DEPOT	5,518,000	10,298,000	118,193	87.13	46.69
5001 13 AVE S	LOWES	6,270,000	12,555,000	141,474	88.74	44.32
1623 38 ST S	SAVERS	2,246,000	4,730,000	52,208	90.60	43.02
4831 13 AVE S	SAM'S WHOLESALE	5,694,000	10,258,000	137,554	74.57	41.39
4731 13 AVE S	WAL-MART	8,589,000	17,858,000	218,579	81.70	39.29
2301 UNIVERSITY DR S	KMART	2,076,700	5,136,700	92,800	55.35	22.38
4305 13 AVE S	BURLINGTON COAT FACTORY	1,995,000	5,647,000	93,288	60.53	21.39

Here are the summary statistics:

### Retail, 2018 Assessed Values

	\$/SF	\$/SF Bldg Only
Maximum	114.58	79.79
3rd Quartile	88.74	55.88
Median	87.13	51.11
1st Quartile	80.77	43.02
Minimum	55.35	21.39
Average	85.17	49.53
Scheels Retail (Above Grade)	138.09	111.42
Scheels Retail (Gross)	98.18	79.22
Scheels Retail (Proposed, Above Grade)	123.99	97.31
Scheels Retail (Proposed, Gross)	88.15	69.19



# Scheels All-Sports

Parcel Number: 01-7640-00100-000

# 1554 45 St S

Owner: Scheels All Sports, Inc.

## Office

We examined the 2018 assessed values of office properties that were larger than 25,000 and built after 1990. We found 29 properties that matched this criteria. The average value per square foot was \$131.54, the median was \$133.73.

Address	T&F Value	GBA	\$/SF GBA
4568 42 ST S & 4550 42 St S	34,582,800	170,752	202.53
4334 18 AVE S	4,931,000	26,864	183.55
4000 GREAT PLAINS DR S	14,375,000	88,956	161.60
4340 18 AVE S	6,985,000	45,529	153.42
4310 17 AVE S	10,746,900	73,446	146.32
4575 23 AVE S	4,254,000	29,135	146.01
1750 NDSU RESEARCH PARK DR N	6,067,700	42,154	143.94
1635 43 ST S	3,908,100	27,457	142.34
1707 - 1715 GOLD DR s	17,908,800	127,505	140.46
3247 47 ST S	4,716,300	33,743	139.77
3900 GREAT PLAINS DR S	16,955,900	122,201	138.75
4656 40 AVE S	4,476,000	32,736	136.73
4850 32 AVE S	7,610,200	55,790	136.41
4314 20 AVE S	3,813,000	28,076	135.81
1810 NDSU RESEARCH CIR N	5,637,600	42,157	133.73
1655 43 ST S	4,106,600	31,144	131.86
4150 19 AVE S	4,022,000	31,543	127.51
4321 20 AVE S	11,767,000	93,099	126.39
3223 32 AVE S	6,154,500	50,117	122.80
1900 44 ST S	8,003,000	65,776	121.67
4150 40 AVE S	7,583,700	65,448	115.87
4325 17 AVE S	16,904,800	146,131	115.68
474 45 ST S	4,687,000	42,072	111.40
1201 PAGE DR S	2,761,900	25,255	109.36
2000 44 ST S	19,321,900	178,049	108.52
1001 28 ST S	2,927,100	29,257	100.05
3350 38 AVE S	5,172,900	52,254	99.00
200 45 ST S	12,961,000	135,235	95.84
4170 41 AVE S	2,928,000	33,531	87.32

Here are the summary statistics:

### Office, 2018 Assessed Values

	\$/SF	\$/SF Bldg Only
Maximum	202.53	154.30
3rd Quartile	142.34	113.03
Median	133.73	103.44
1st Quartile	115.68	91.21
Minimum	87.32	62.84
Average	131.54	102.03
Scheels Office (Above Grade)	287.10	231.64
Scheels Office (Gross)	151.46	122.20
Scheels Office (Proposed, Above Grade)	257.78	202.32
Scheels Office (Proposed, Gross)	135.99	106.73

# *Scheels All-Sports*

Parcel Number: 01-7640-00100-000

**1554 45 St S**

Owner: Scheels All Sports, Inc.

## Cost Analysis

Commercial assessment equalization in Fargo is based on the cost approach. Fargo uses Marshall & Swift Commercial Estimator for the purpose of developing cost based valuation models. The 2018 valuation of Scheels All-Sports, and other retail properties in the West Acres area were re-valued in a mass appraisal effort.

Scheels was included in this re-appraisal effort. The value for 2018 increased by \$816,000 (3%) over the 2017 valuation. The valuation was reviewed for the 2020 tax year. Building characteristics were corrected. The corrected building characteristics included: total square footage (+912sf), basement square footage (+626sf), paving amounts and pricing, dock leveler counts, added mezzanine, basement occupancy and finishing changes, fire sprinkler changes, wall-heights, and building quality changes on the retail portion.

We applied the new building characteristics, and valued the property with the same local multipliers as the other retail properties in the area. Here is a summary of the cost approach:

	Units	Cost	Total
Basic Structure Cost	164,107	104.47	17,145,070
Basement Cost	84,445	64.70	5,463,591
Extras			715,350
<b>Replacement Cost New</b>	164,107	142.13	<b>23,324,011</b>
Physical & Functional Depr	14.5%		(3,391,310)
Depreciated Cost			19,932,701
Rounded Cost (000)			19,933,000
Land Value			5,464,000
<b>Indicated Value via C.A.</b>			<b>25,397,000</b>



**Recommendation of the Governing Body of the City or Township**

Recommendation of the governing board of City of Fargo

On August 10, 2020, 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 Approved

Dated this 26 day of August, 2020   
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 Scheers All Sports, Inc.

County Auditor's File No. 4487

Date Application Was Filed With The County Auditor 6/1/2020

Date County Auditor Mailed Application to Township Clerk or City Auditor 6/1/2020

Must be within five business days of filing date