

2022 County Board of Equalization – Reconvened

Monday, June 20th, 2021 – 3:30 PM – County Commission Room & Virtually through Microsoft Teams

Agenda

1. Assessment Department Recommendations on Appeals
 - a. County Analysis
 - i. City of Fargo
 1. Amazon..... Page 2-3
 2. 4 Points by Sheraton..... Page 4
 3. Eisert..... Page 5
 4. Anderson..... Page 6
 - ii. City of West Fargo
 1. Invertase, LLC..... Page 7
 2. Tevye, LLC..... Page 8-9
 3. Schatz..... Page 10
 4. PetSmart..... Page 11
 - iii. City of Casselton
 1. Governor’s Inn & RV Park (Day’s Inn)..Page 12-13



Equalization Department

Box 2806
211 Ninth Street South
Fargo, ND 58103

Telephone: 701-241-5616
Fax: 701-241-5729
assessor@casscountynd.gov

Owner: Amazon

Parcel: 02-4958-00010-000
Address: 3737 44th Ave N
Value: \$119,401,800

Appellant: James Poliyanskiy
Property Class: Commercial
Requested Value: \$96,132,154

Summary:

The appellant submitted a cost approach using the Marshall & Swift valuation service indicating a value of \$96,132,154. The appellant feels the quality is overstated by the assessment office and the 239,990 square foot mezzanine, which Amazon refers to as a *racking system*, is personal property. The site was inspected by the city of Fargo in April and again reviewed by my office in May. No sales or income analysis was presented by the appellant to support the value, but the subject property sold on a sales-leaseback for \$202,147,000.

Review:

Since the only information provided by the appellant was a cost approach, the basis of this appeal results in two different opinions. One is an opinion of construction quality and the other is an opinion of real vs personal property. After discussion with both parties, I feel the city appropriately catalogued the property as above average, since it shares components of both average and good cost. When reviewing the cost approach submitted by the appellant, I noticed that it did not appropriately factor in the heating costs. It is typical for properties of this type to only use suspended heaters, and consideration must be given to the numerous package HVAC units utilized throughout the fulfillment center.

The opinion of the mezzanine is unique as I can see arguments made supporting both sides. A *“structure”* is anything constructed or erected from an assembly of materials, which requires a permanent location on or in the ground or is attached to something having permanent location on or in the ground.

Consideration shall be given to the three-part fixture test as set forth in N.D.C.C §57-02-04(2).

- a) Are items constructed as an integral part of the structure or building – Yes
- b) Are items essential for the support of such structures or buildings – No
- c) Are items removable without materially limiting or restricting the use of such structures or buildings? No

The answer must be “YES” to questions A and B, and “No” to question C before it can be said that an item has become a fixture and thus part of the real property. (ND Office of State Tax Commissioner – Guideline – Property Tax: Classification of Property for Assessment Purposes).

Part B of the test brought me to contact the state and question when a mezzanine becomes personal property, since mezzanines are rarely, if ever, essential to the structure. The state is continuing to research this question through case-law and previous board of equalization proceedings, and unfortunately will not have an answer prior to our meeting.

Conclusion:

The cost approach provided by the city of Fargo is appropriate for a property of this nature and is supported. Real versus personal property is often a gray area and the city is currently treating all mezzanines equitably. If the city is confident with their defense of the mezzanine, I feel we should support their decision.

Recommended Motion:

Retain the current value for the 2022 taxable year



Equalization Department

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Owner: Four Points by Sheraton (*KAJ Hospitality*)

Parcel: 01-8428-00020-000
Address: 5064 23 Ave S
Value: \$6,134,500

Appellant: Pivotal Tax Solutions
Property Class: Commercial
Requested Value: \$3,272,000

Summary:

Pivotal Tax Solutions is requesting a reduction in value for their client, Four Points by Sheraton. They have submitted an income approach indicating a value of \$3,272,000 and state that vacancy rates were 57 percent last year. KAJ Hospitality purchased the property for \$9,161,400 in early 2019.

Review:

A quick look at the income approach shows that the applicant only used the 2021 year as a metric. There was no consideration given to either the cost or sales comparison approach to value, which are typical inclusions in appeals of hotels.

The city of Fargo provided me with comparable sales as well as an assessment summary of competing properties to show uniformity, both of which support the current valuation of the property.

Conclusion:

The applicant provided minimal information to warrant an adjustment to the property. The Fargo assessing office was able to provide support using comparable sales information to defend the current valuation of Four Points by Sheraton and demonstrate that the property is being assessed fairly and equitably amongst similar properties.

Recommended Motion:

Retain the current value for Four Points by Sheraton.



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Owner: Jeffrey Eisert

Parcel: 01-2350-00430-000
Address: 3043 – 3045 18 St S - Fargo
Value: \$238,200

Appellant: Owner
Property Class: Residential - Duplex
Requested Value: Unknown

Summary:

Mr. Eisert contacted our office shortly after the city board of equalization. He has concerns about investors buying up similar properties, driving up the values, and he feels there are some condition issues with his property. Mr. Eisert has not provided an estimate of what he feels is an appropriate value.

Review:

I reviewed the property on-site with Mr. Eisert on Monday, May 9th. It is a Bi-Level duplex built in 1985, with the lower unit being used for rental purposes. During the review, he pointed out the exterior condition issues (siding, eaves, deck) and discussed the recent sale of a similar duplex with the same footprint a few doors down.

During my analysis, I was able to find 4 duplexes on the block that were all the same footprint and from an exterior standpoint, all seemed to carry similar external condition issues that Mr. Eisert discussed. The property that sold had an interior condition that I felt was superior to the subject as well as a detached shop that is heated with ductless A/C. The property sold in late 2020 for \$254,900.

I reviewed the valuation of the four properties that I felt were similar and they were all valued equitably.

Conclusion:

The city of Fargo was able to provide support for their value through the sales comparison approach and I was able to determine the property is equitable in valuation amongst similar properties in the immediate area.

Recommended Motion:

Retain the current value for Mr. Eisert's property

June 14, 2022

Cass County Board of Commissioners
211 9 St S
Fargo, ND 58103

RE: Review of 918 11 Ave N, Fargo ND – Tax ID 01-0440-02460-000 – County Board of Equalization, 2022

Dear Commissioners:

We completed a review of the proposed 2022 true & full valuation of 918 11 Ave N, Fargo ND. This property is a triplex located in the Roosevelt neighborhood of north Fargo. The proposed value for 2022 was \$175,500. The property was last reappraised for the 2020 tax year; and the value was adjusted for market conditions for the 2022 tax year. The interior characteristics of the property were estimated to be of average quality and condition.

At the request of the Board of Equalization and the property owner, Cass County Tax Director Paul Fracassi and myself viewed the property on June 13, 2022. We find that the property suffers from excessive deferred maintenance relative to similar converted multi-family properties. We adjusted the noted condition of the property downward, and thus increased the amount of applied depreciation.

To re-value the property, we relied on the same valuation model as the other competing properties in the area. This ensures proper equalization until the entire neighborhood is re-appraised.

We recommend reducing the value to \$127,200 for the 2022 tax year. This represents a decrease of \$48,300 from the original proposed value.

Respectfully,

James Haley
Deputy Assessor



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Owner: Invertase, LLC

Parcel: 02-3000-01283-010 (Et Al)
Address: 5100 Block Sheyenne St
Value: \$3,025,000

Appellant: Vogel Law Firm – Tami Norgard
Property Class: Residential
Requested Value: Unknown

Summary:

The four parcels in question were purchased in December of 2021 for \$4,965,255 for assemblage. The appellant argues that the purchases do not reflect the market value. The four parcels consist of a vacant lot and three residential properties varying in quality and condition.

Review:

In the write-up submitted by the city of West Fargo, they agree with the appellant that this is not an arm's length sale to be used for determining property values. To ensure equitable values, I reviewed the land value of these properties as well as the adjacent properties to the north and they all have used the same methodology.

There was no market information provided by the appellant on these specific properties, however, they provided an appraisal for the neighboring property which supports the current land values.

Conclusion:

The city of West Fargo has confirmed that a city-wide land analysis was completed on both residential and commercial properties for the 2022 assessment year. Since all properties were adjusted and this property is equitable with the neighboring parcels to the north, I feel the value is supported.

Recommended Motion:

Retain the current value for the 2022 taxable year.



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Owner: Tevye, LLC

Parcel: 02-4955-00010-000
Address: 4980 Sheyenne St
Value: \$6,196,6000

Appellant: Vogel Law Firm – Tami Norgard
Property Class: Residential – 2 Story
Requested Value: \$3,470,000

Summary:

The appellant submitted a draft appraisal completed by Gary Bock supporting a value of \$3,470,000. Consideration was given to both the cost and sales approach to value. The property has a primary house and a secondary house both used by Tevye, LLC.

Review:

In review of this request, I took an in-depth look into the information provided by the city of West Fargo. I have a unique perspective as the county utilizes the same software as the city of West Fargo and I am confident in interpreting and verifying the quality, condition, and relevant data that is required to value a property appropriately in their mass appraisal model. I reviewed the grade and condition using the methodology of our software. It is my opinion that the grade is not overstated. To confirm this statement, I reviewed what I feel to be the highest quality homes in West Fargo and my review showed that the city is grading their high-quality homes equitably. The condition of the home is appropriate for a recently constructed home.

I also reviewed the draft appraisal submitted by the appellant. The appraisal agrees with the assessed value of land, as well as the value of the secondary home and metal building. That leaves the valuation of the primary dwelling as the main dispute in this appeal. The appraisal lays out many points and arrives at a value using a sales and cost approach, which I agree are appropriate methods for this review. I feel the sales comparison, when done correctly, is the most applicable since it is the truest gauge of the local real estate market.

In review of the sales comparison approach, the appraiser uses three sales, one of which is used twice, creating a total of four sales in the analysis. The appraiser states that it was proper to use the one sale twice for additional weighting due its similar size and quality to the subject. As I researched the sales for accuracy, I found the sale that was used twice was a quit claim deed with no sale price listed. I reviewed the quit claim deed and noticed that the property transferred from Merco Investments, LLLP to Eric & Amber Merhiy, who are listed on the quit claim deed as general partners for Merco Investments, LLLP. It appears this is a transfer of title as opposed to a valid sale. Additionally, my review of comparison two shows that the appraiser erroneously accounted for the square footage of the sale. The appraisal lists the

property as 3,165 square feet when in fact it is 6,466 square feet. It is reasonable to assume that would make any subsequent adjustments, based on this square footage, erroneous. Since three of the four sales are now inadequate for the sales comparison approach, I personally do not trust the resulting value of this analysis.

My next review was the cost approach. The appraiser and the city of West Fargo used two different valuation models, both resulting in two different replacements costs. Further adjustments for obsolescence were recognized by both parties, to varying degrees, resulting in different opinions of value. The appraiser uses Marshall & Swift, a nationally accepted valuation service, to develop the replacement cost new (RCN), which came in considerably less than the cities RCN. To try and understand this disparity, I requested actual building costs, as this home was recently built, and those costs are relevant. As of the time of writing this, building costs have not been provided. Aside from the RCN, the second biggest point of contention is the amount of obsolescence to apply. After depreciation was applied for age, the submitted appraisal presented obsolescence of 60% while the obsolescence applied by the city is 21%. Since obsolescence plays such a significant factor in determining the value through the cost approach, it is extremely important that the percentages used are supported by relevant market data. Homes of this caliber are not routinely bought and sold; thus market data is understandably difficult to come by. It is reasonable to assume that there is a need for obsolescence, but to apply a percentage as high as the amount chosen by the appraiser, I would personally like to see it supported through sales, in some capacity.

Conclusion:

I reviewed the cities data to ensure accuracy and equitability amongst high-end properties. While the obsolescence is highly debated, it was considered, and through my research was applied equitably on similar high-end properties.

The sales comparison approach submitted by the appellant had numerous errors which lead to a compromised opinion of value. While I agree that obsolescence is necessary, I did not see enough supporting information to justify a 60% reduction from the replacement cost new that was developed in the cost approach.

Recommended Motion:

Retain the current value for the 2022 taxable year



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Owner: Schatz

Parcel: 02-4958-00010-000
Address: 4812 Sheyenne St.
Value: \$2,673,200

Appellant: Vogel Law Firm – Tami Norgard
Property Class: Residential – 2 Story
Requested Value: \$2,100,000

Summary:

The appellant submitted an appraisal that was completed for lending purposes on March 16, 2021 which resulted in the requested value. The appraisal states that the property was purchased as an arm's length transaction for \$1,300,000 on July 3rd, 2018. With specials, the adjusted sale price is \$1,417,473. The original home was demolished, and the new home was constructed in 2020.

Review:

I have contacted the appellant to set up a date for me to inspect the property, but an inspection date has not been set at the time of this write-up. I have reviewed the appellants appraisal and the information submitted by the city of West Fargo, which included an explanation of the history of the property and a sales comparison analysis. The increase in value for the year was due to the city-wide land study that was completed by the city for the 2022 taxable year. I did not find any erroneous information in my review of the property record card and I performed an independent analysis of properties that I feel are of similar quality in West Fargo. I feel the grade is not overstated and the property is graded equitably amongst homes of similar quality.

Both parties developed a sales comparison analysis. Since the appraisal was completed in March of 2021, the appraiser did not have access to numerous 2 Story homes, of similar quality, that sold in West Fargo during the remainder of the year. The sales comparison provided by West Fargo shows 5 similar homes that resold after the date of the appraisal. Four of these properties sold for over \$1.4 million.

Conclusion:

The city of West Fargo has confirmed that a city-wide land analysis was completed on both residential and commercial properties for the 2022 assessment year. The city provided a sales comparison analysis that contains numerous sales that happened after the date of the appraisal and support the assessed value.

Recommended Motion:

Retain the current value for the 2022 taxable year.



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Owner: PetSmart (*Hull Family Partnership, LLC*)

Parcel: 02-0082-00020-000
Address: 1630 13th Ave E
Value: \$3,037,600

Appellant: Pivotal Tax Solutions
Property Class: Commercial
Requested Value: \$1,732,000

Summary:

Pivotal Tax Solutions is requesting a reduction in value for their client, PetSmart. They have submitted a cost approach indicating a value of \$2,620,172 and are requesting a value of \$1,732,000.

Review:

The cost approach submitted by the applicant was developed through Marshall & Swift valuation services. The appellant did not provide a sales comparison approach, which is typical for an appeal, as it provides support for the cost approach and shows that the local market was considered in the analysis.

The city of West Fargo has provided a cost analysis, and a sales comparison analysis, which details the overall valuation as well as the land valuation. They also detailed in their write-up from the previous meeting why the requested building and land value are not even supported by the applicants own cost approach.

Conclusion:

The West Fargo assessing office was able to provide support using comparable sales information to defend the current valuation of PetSmart and demonstrate that the property is being assessed fairly and equitably amongst similar properties.

Recommended Motion:

Retain the current value for PetSmart.



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Owner: Governor's Inn (*Day's Inn & RV Park*)

Parcel: 03-0875-00110-010 (Etal)
Address: 2050 Governor's Dr
Value: \$3,279,600

Appellant: Lowell Gunderson
Property Class: Commercial - Hotel
Requested Value: \$2,530,000

Summary:

The owner is appealing his Hotel, RV Park, and laundromat, which make up four parcels. Our office found 20 unpermitted RV Pads added to the Park between the years of 2018 and 2020, which resulted in an increased value for the 2022 year. The appellant provided a profit and loss sheet to demonstrate difficulties the facility has faced over the past few years.

Review:

I walked through the facility on Thursday, June 9th. Since my last review of the property the owner has moved the fitness center to the second floor to open room for more hotel rooms on the main floor and an apartment was added for the on-site manager.

While the income and expenses provided by the appellant show hardships during the years of 2020 and 2021, the trend was typical with what I have reviewed on other hotels that have filed appeals. The owner included income & expenses from the RV Park and Laundromat with the hotel, which made it hard to separate the expenses appropriately. Since income was the only information provided, I researched sales in the area to see if the values are supported.

Comparable Sales											
Property Name/Type	Parcel	Address	Sales Date	Adj Sale Amount	Lot Size	Bldg Sq Ft	Room Count	Year Built	Price per sq ft	Price Per Room	
Days Inn (Airport N. Fargo)	01-1172-00200-000	1507 19th Ave N	9/20/2019	\$ 2,859,100	77,537	27,851	60	1994	\$ 102.66	\$ 47,652	
Days Inn (S. Fargo)	01-2580-00110-000	3431 14th Ave S	10/13/2017	\$ 2,725,300	92,347	35,501	75	1992	\$ 76.77	\$ 36,337	
AmericInn	01-1390-00037-000	1423 35th St S	3/30/2018	\$ 2,961,500	66,211	30,493	60	1992	\$ 97.12	\$ 49,358	
Microtel	02-4603-00020-000	705 23rd Ave E	6/1/2018	\$ 5,961,038	74,250	41,079	88	2014	\$ 145.11	\$ 67,739	
Subject	03-0875-00110-010				190,357	64,480	55	2003	39.52	\$ 46,340	

*Hotel Value: \$2,548,700

While the subject hotel is a hybrid, (economy scale but offers full-service amenities), the sales show the value is supported, and little consideration is given to the restaurant and waterpark.

The RV Park is bringing in considerable income with what appears to be limited expenses. Most of the surrounding properties were built in the early 2000's but two vacant lots to the north sold in April of 2022 for \$2/ft which support the current land values. The RV Park has a total of 65 spots available and it is used

seasonally from April through the end of October/November. A county-wide analysis was completed by our department, reviewing all RV & mobile home parks, for the 2022 year. The current value is a result of that analysis as well as us finding the newly constructed spots.

Below are some sales for similar support:

Comparable Sales							
Property Name/Type	Location	Sales Date	Adj Sale Amount	Amenities	Pads	Year Built	Price per Spot
Schuster RV Park	New Rockford, ND	10/29/2021	\$ 170,000	None	23	2014	\$ 7,391
Jamestown Campground	Jamestown, ND	10/1/2020	\$ 314,000	Full	48	Unknown	\$ 6,542
Meadows RV Park	Jamestown, ND	9/1/2021	\$ 355,000	Limited	34	Unknown	\$ 10,441
Subject*	Casselton, ND			Full	65	2003	\$ 7,745
*RV Park value: \$503,400							

Conclusion:

The income showed that the overall property has been struggling, especially during 2019 and 2020, but that is a similar trend for hotels during that time frame. The hotel and RV park valuations are both supported by sales of similar, competing properties.

Recommended Motion:

Retain the current value for the 2022 taxable year.

*AMENDMENT: After this write-up was completed, I spoke with the owner and he is alright with the hotel valuation as we are close to what he feels it would sale for. His primary concern is the increase to the RV Park.