

INVESTIGATION OF ABATEMENT APPLICATION

ABATEMENT No: 4449

Following is a report on the investigation of the abatement application of: Wells Fargo Bank
Cass County Board of Commissioners and State Tax Commissioner:

Ryan Property Tax Services is asking that the commercial valuation be reduced from \$3,438,000 to \$2,134,000 for 2014 for the 2 story Wells Fargo Bank located at 2501 13th Ave S Fargo.

The taxpayer's agent has presented a one page income analysis along with some general market data and a list of office space rental asking rates. The documentation is lacking in numerous areas, including analysis of bank sales, analysis of the current lease rates, development of the capitalization rate, etc.

The City of Fargo Assessment department has presented a summary of the issues, along with a report defending their assessment. The report states that they used a cost model, based on sales and income information, to value all banks. They have also presented data indicating that the assessment is equitable with other banks.

The Fargo City Commission recommended denial of the abatement application.

The documentation presented by the applicant has not shown that the assessment exceeds market value. If the applicant wishes to have the assessment further reviewed, it is suggested that they submit an appraisal by a certified general real property appraiser.

SUGGESTED MOTION: "I move that Abatement # 4449 be denied, as recommended by the City of Fargo and the Director of Equalization."

Dated this 8th Day of July, 2015.



Frank Klein
Director of Tax Equalization

Mr. Ethan Horn of Ryan Property Tax Services filed an appeal on the 2014 value of the above referenced property on behalf of the property owner. The appeal is requesting a reduction in value from \$3,438,000 to \$2,134,000. This would result in a reduction in value of \$1,304,000.



Wells Fargo @ 2501 13 Ave N – Looking North



Wells Fargo @ 2501 13 Ave N – Looking South

Mr. Horn’s valuation analysis is recapped in the following table. The total assessment for 2014, 2013, and 2012 is also recapped in the last three columns with the indicated changes in value over the period reflected along with a comment as to the cause of the change. It should be noted that a reappraisal effort was undertaken in 2013 (for 2014 values) of all bank or bank related properties.

	Ryan Property Tax Services 2014	Total Assessment		
		2014	2013	2012
Assessed Value	\$ 2,134,000	\$ 3,438,000	\$ 2,875,200	\$ 2,818,800
Building Area	23,990	23,990	23,990	23,990
Value / Building Area	\$ 88.95	\$ 143.31	\$ 119.85	\$ 117.50
Dollar Change		\$ 562,800	\$ 56,400	\$ 82,100
Percent Change		19.6%	2.0%	3.0%
Change Cause		Reappraisal	Index	Index

A recap of Mr. Horn’s analysis follows along with a brief analysis.

With respect to rents and the indication of value by the Income Approach:

- The analysis considers asking rents for office space compiled by CoStar Group Inc, a national commercial real estate information company headquartered out of Washington, DC.
- 15 rent comparables were considered, with a wide range in building age, available lease area, asking rents, and operating expenses, and with one located in Mapleton.
 - o The analysis includes a rent premium for the space occupied by Wells Fargo. While this would appear appropriate due to the higher fit-up and finishes within a bank, no support is provided for this premium.
 - o Nearly 50 percent of the subject property is tenant occupied. No consideration was given for the actual lease rates associated with this area or if those rates are market supported.
 - o A number of the comparables also include an up-charge, commonly referred to as Common Area Maintenance or CAM. This was not considered by Mr. Horn in his income analysis in developing his gross rental rate.

- Recapped in the following table is the income analysis as provided by Mr. Horn. We have included two minor changes or corrections as well as a restated income analysis:
 - o Corrected area allocation within the building. Net operating income was increased by \$1,748.
 - o The tax load was corrected. It did not recognize the 12 percent state credit.
 - o Corrections made resulted in a \$27,000 valuation increase in Mr. Horn's analysis.
- The restated analyses considers local survey data as compiled by Mr. Konrad Olson in his annual office survey:
 - o Weighted average gross rental rate for suburban Class B tenant space.
 - No CAM recoveries as the survey reflect gross rents.
 - o A rent premium for the bank related space as reflected by Mr. Horn.
 - o An overall vacancy rate, as reflected in the annual office survey for all office space, was used.
 - o The weighted average expense rate, less the weighted average tax rate for Class B tenant space, was used.
- The indications of value by the Income Approach to Value range from \$2,161,000 (Ryan Property Tax Service) to \$3,649,000 (weighted local survey data).

Wells Fargo - 2501 13 Ave S (as Represented by Ryan Tax Services)				Wells Fargo - 2501 13 Ave S (as Restated w/ Konrad Olson Survey Data)			
	Building Area (sf):		23,990		Building Area (sf):		23,990
	Bank:		12,285		Bank:		12,285
	Office:		11,705		Office:		11,705
Estimated Market Rent				Estimated Market Rent			
Bank	\$ 20.10	\$	246,929	Bank	\$ 27.00	\$	331,695
Office	\$ 13.40	\$	156,847	Office	\$ 18.00	\$	210,690
Total Rents		\$	403,776	Total Rents		\$	542,385
Recoveries	\$ -	\$	-	Recoveries	\$ -	\$	-
Potential Gross Income		\$	403,776	Potential Gross Income		\$	542,385
Less: V&C Loss	-10.0%	\$	(40,378)	Less: V&C Loss	-6.5%	\$	(35,255)
Effective Gross Income		\$	363,398	Effective Gross Income		\$	507,130
Expenses (net of Taxes)	\$ (5.75)	\$	(137,943)	Expenses (net of Taxes)	\$ (5.27)	\$	(126,427)
Net Operating Income		\$	225,455	Net Operating Income		\$	380,703
OAR	9.00%			OAR	9.00%		
Tax Rate Load	1.43%			Tax Rate Load	1.43%		
Loaded OAR	10.43%			Loaded OAR	10.43%		
Indicated Value:		\$	2,161,000	Indicated Value:		\$	3,649,000
Indicated Value / Building Area:		\$	90.08	Indicated Value / Building Area:		\$	152.11

In summary, with insufficient or inaccurate data, the Income Approach to Value provides an overall poor analysis and does not provide a reliable indicator of value.

With respect to improved sales and the indication of value by the Sale Comparison Approach:

- Five comparable properties were compiled using CoStar Group, Inc. data. Four closed sales and one listing (as of the date of their analysis) are recapped in the following table:

Ryan Property Tax Services (as provided)									
Address	Occupancy	Yr Blt	Sale Date	Contract Price	Specials Assumed	Adj Sale Price	Bldg Area	Sale \$ / Bldg Area	
404 4 Ave N	Office	1916	20-Mar-14	\$ 890,625	\$ -	\$ 890,625	13,710	\$ 64.96	
1801 38 St S	Office	1972	16-Oct-13	\$ 1,075,000	\$ -	\$ 1,075,000	13,268	\$ 81.02	
502 1 Ave N	Office	1902	Pending	\$ 1,250,000	\$ -	\$ 1,250,000	20,000	\$ 62.50	
1220 Main Ave 4B	Office Condo	1983	2-Jan-14	\$ 1,293,750	\$ -	\$ 1,293,750	18,665	\$ 69.31	
1712 Main Ave	Office	1959	10-Apr-14	\$ 730,000	\$ -	\$ 730,000	13,360	\$ 54.64	
Wells Fargo on 13 Ave S Bank / Office							1981	23,990	

- o Special Assessments assumed by the buyer were not included in the transaction price.
 - o Three of these sales are significantly older than the subject's 1981 year of construction.
 - o The building area is incorrectly stated on all sales.
 - o 1220 Main Ave 4B is an office condo unit with 3,525 square feet of area. It is not 18,665 square feet.
- The following table recaps these same sales with corrected data:

Ryan Property Tax Services (with corrected data)									
Address	Occupancy	Yr Blt	Sale Date	Contract	Specials	Adj Sale	Sale \$ /		
				Price	Assumed	Price	Bldg Area	Bldg Area	
404 4 Ave N	Office	1916	20-Mar-14	\$ 950,000	\$ 4,300	\$ 954,300	14,160	\$ 67.39	
1801 38 St S	Office	1972	16-Oct-13	\$ 1,075,000	\$ 13,000	\$ 1,088,000	13,284	\$ 81.90	
502 1 Ave N	Office	1902	27-Feb-15	\$ 1,125,000	\$ 2,900	\$ 1,127,900	13,296	\$ 84.83	
1220 Main Ave 4B	Office Condo	1983	2-Jan-14	\$ 1,293,750	\$ 7,600	\$ 1,301,350	3,525	\$ 369.18	
1712 Main Ave	Office	1959	10-Apr-14	\$ 730,000	\$ 500	\$ 730,500	13,372	\$ 54.63	
Wells Fargo on 13 Ave S Bank / Office							1981	23,990	

Overall, the sales analysis is poorly executed and appears to be focused on developing an opinion of value that supports a specific or predetermined value.

An analysis of property sales that consist of bank or bank related occupancies are very limited. However, four sales have occurred since 2003 and are recapped below. Please note that 15 Broadway N re-sold with an implied annual compounded appreciation rate of 2.3 percent.

Bldg Name	Parcel No	Sale Date	Sale Price Adjusted	Occp	Yr Built	Site Coverage	Bldg Area (SF)	# of Flrs	Total Sale \$ / Bldg Area	Impr Sale \$ / Bldg Area	Bldg Sale \$ / Bldg Area	Total Bsmt SF
51A BROADWAY N	01-1520-00016-000	31-May-12	\$ 9,510,500	Office	1986	44.8%	106,250	2	\$ 89.51	\$ 87.38	\$ 83.68	20,956
51B BROADWAY N	01-1520-00020-000 01-1520-00021-000 01-1520-00017-000			Bank	1981			6				
15 BROADWAY N	01-2150-00375-000 01-2150-00330-000 01-2150-00340-000 01-3508-01391-000	18-Oct-12	\$ 5,155,200	Bank Office	1926	20.9%	49,460	6	\$ 104.23	\$ 85.73	\$ 84.05	16,414
1815 UNIVERSITY DR S	01-0162-01160-000	11-Aug-03	\$ 2,118,300	Bank Office	1957	19.6%	14,280	1	\$ 148.34	\$ 135.60	\$ 135.60	-
15 BROADWAY N	01-2150-00375-000 01-2150-00330-000 01-2150-00340-000 01-3508-01390-000	31-Mar-03	\$ 4,200,000	Bank Office	1926	17.7%	49,460	6	\$ 84.92	\$ 67.85	\$ 66.28	16,414
2501 13 Ave S	01-0375-00095-000		\$ 3,438,000	Bank Office	1981	7.6%	23,990	2	\$ 143.31	\$ 108.09	\$ 92.73	-

While 51 Broadway N is most similar in age, there is substantially less bank occupancy; 5 percent versus nearly 50 percent for the Wells Fargo property. 1815 University Dr S is a 2003 sale and was included because 52 percent of the occupancy is bank or bank related; it provides an indication that bank or bank related occupancies sell at a higher rate than typical office occupancies.

These four sales, not adjusting for time, indicate an overall range in total value of between \$84.92 and \$148.34 per square foot of building area. The subject is valued at \$143.31 per square foot of building area.

Another consideration with this property is the site coverage or potentially surplus land associated with this parcel. If a site coverage ratio of 20 percent was used, it would reduce the

land area by 99,504 square feet and the land value by \$522,000. That would result in a total value of \$121.55 per square foot of building area.

The six sales recapped on the following table consist of office occupancies only, with two being re-sales. The oldest sale occurred in 2005. These sales bracket the Wells Fargo property in actual age and, to a lesser degree, building area.

Bldg Name	Parcel No	Sale Date	Sale \$ Adj	Occp	Yr Built	Site Coverage	Bldg Area	# of Flrs	Total Sale \$ / Bldg Area	Impr Sale \$ / Bldg Area	Bldg Sale \$ / Bldg Area
1749 38 ST S (Improved)	01-3800-00020-000	9-May-07	\$ 1,971,100	Office	1980	10.6%	13,969	1	\$ 141.11	\$ 93.86	\$ 91.91
1733 38 ST S (Land)	01-3800-00027-000										
1749 38 ST S (Improved)	01-3800-00020-000	8-Nov-05	\$ 1,556,900	Office	1980	10.6%	13,969	1	\$ 111.45	\$ 85.68	\$ 83.74
1733 38 ST S (Land)	01-3800-00027-000										
2301 25 ST S (Medical)	01-0172-01586-050	6-Oct-10	\$ 14,430,100	Medi Office	1972	27.2%	51,509	1	\$ 280.15	\$ 269.10	\$ 265.22
1707 GOLD DR S	01-6370-00100-000	4-Sep-07	\$ 17,458,500	Office	1999	16.8%	128,429	2	\$ 136.26	\$ 116.45	\$ 111.70
2829 UNIVERSITY DR S	01-0265-00043-000	2-Jan-15	\$ 7,260,200	Medi Office	1984	10.7%	39,244	2	\$ 185.00	\$ 161.66	\$ 159.14
2829 UNIVERSITY DR S	01-0265-00043-000	8-Jan-07	\$ 4,617,000	Office	1984	10.7%	39,244	2	\$ 117.65	\$ 94.31	\$ 91.78
Bldg Name	Parcel No		Total Value		Yr Built	Site Coverage	Bldg Area	# of Flrs	Total Value / Bldg Area	Impr Value / Bldg Area	Bldg Value / Bldg Area
Bank											
2501 13 Ave S	01-0375-00095-000		\$ 3,438,000	Office	1981	28.6%	23,990	2	\$ 143.31	\$ 108.09	\$ 92.73

1749 38 St S: This is the former Production Credit Association (Ag Country Credit) property along with the vacant land located directly to the north. This property is slightly smaller than the Wells Fargo property and was constructed at the same time. It provides a slightly lower indication of value due to its inferior location.

2301 25 St S: This is an out-patient, same day surgical clinic, purchased by Sanford. This is a much higher intensity use (occupancy) and provides an extreme upper indication of value due to the higher intensity use.

1707 Gold Drive S: This property consists of three buildings ranging in size from 27,362 to 58,802 square feet. This property is newer than the Wells Fargo property but is reflective of an investment grade property and provides a comparable indication of value.

2829 University Dr S: The 2007 sale is reflective of a sale with an office occupancy while the 2015 sale is reflective of a sale with a medical office occupancy. This property is of similar age but the 2015 sale is a much higher intensity use (occupancy) and provides an extreme upper indication of value. The 2007 sale provides a lower indication of value due to location and condition. The change in use (occupancy) resulted in substantial changes and updating to the improvements.

Overall, these sales (and re-sales) tend to support the 2014 valuation of the Wells Fargo property.

The final analysis consideration is equity, or how the value of the Wells Fargo property compares to competing properties. Recapped in the following table is an analysis of bank or bank related properties that bracket the Wells Fargo property in age, building area, and bank or bank related properties with two or more floors. Overall, it does not appear this property is valued significantly differently than the competing properties.

- There are a total of 48 competing properties:
 - o Indicated mean total value per square foot of building area: \$183.96.
 - Indicated mean building value per square foot of building area: \$123.73.
 - o Indicated median total value per square foot of building area: \$176.54.

- Indicated median building value per square foot of building area: \$118.92.
 - There are five competing properties that bracket the Wells Fargo property in age and are greater than 5,000 square feet:
 - Indicated mean total value per square foot of building area: \$117.52.
 - Indicated mean building value per square foot of building area: \$93.80.
 - Indicated median total value per square foot of building area: \$111.51.
 - Indicated median building value per square foot of building area: \$90.31.
 - There are eight competing properties that bracket the Wells Fargo property in building area:
 - Indicated mean total value per square foot of building area: \$159.69.
 - Indicated mean building value per square foot of building area: \$126.19.
 - Indicated median total value per square foot of building area: \$171.79.
 - Indicated median building value per square foot of building area: \$136.87.
 - There are 18 competing properties that are two or more floors:
 - Indicated mean total value per square foot of building area: \$147.69.
 - Indicated mean building value per square foot of building area: \$118.64.
 - Indicated median total value per square foot of building area: \$145.91.
 - Indicated median building value per square foot of building area: \$108.96.

Address	Parcel #	Total Value	Yr Blt	Bldg SF	Total Val / sf	Impr Val / sf	Bldg Val / sf	Land Val / sf	Site Coverage	
All Bank or Bank Related Properties										
Minimum	Count	48	1917	1,039	\$ 69.46	\$ 66.68	\$ 67.21	\$ 1.67	3.5%	
Maximum			2013	106,250	\$ 383.60	\$ 301.64	\$ 261.20	\$ 12.00	97.3%	
Mean			1986	15,078	\$ 183.96	\$ 145.87	\$ 123.73	\$ 6.01	19.4%	
Median			1993	6,415	\$ 176.54	\$ 144.47	\$ 118.92	\$ 6.00	13.9%	
Std Dev			21	20,772	\$ 72.30	\$ 49.50	\$ 40.06	\$ 2.22	18.4%	
- 1 Std Dev			1965	(5,694)	\$ 111.66	\$ 96.37	\$ 83.68	\$ 3.78	1.0%	
+ 1 Std Dev			2007	35,850	\$ 256.25	\$ 195.36	\$ 163.79	\$ 8.23	37.8%	
Bracketed by Age (10 Yrs +/-) & > 5,000 sf										
Minimum	Count	5	1973	5,057	\$ 90.13	\$ 80.81	\$ 78.20	\$ 1.67	14.0%	
Maximum			1986	106,250	\$ 174.21	\$ 148.51	\$ 123.79	\$ 12.00	53.7%	
Mean			1980	42,997	\$ 117.42	\$ 102.81	\$ 93.80	\$ 6.33	24.6%	
Median			1981	30,087	\$ 111.51	\$ 93.26	\$ 90.31	\$ 5.00	19.4%	
Std Dev			6	43,401	\$ 33.02	\$ 26.43	\$ 17.67	\$ 3.88	16.5%	
- 1 Std Dev			1974	(404)	\$ 84.40	\$ 76.38	\$ 76.13	\$ 2.45	8.1%	
+ 1 Std Dev			1985	86,399	\$ 150.43	\$ 129.24	\$ 111.46	\$ 10.21	41.1%	
Bracketed by Bldg SF (8,000 sf +/-)										
Minimum	Count	8	1963	19,312	\$ 98.36	\$ 91.87	\$ 84.22	\$ 5.75	8.1%	
Maximum			2013	31,864	\$ 202.16	\$ 175.28	\$ 159.49	\$ 9.97	77.1%	
Mean			1993	26,756	\$ 159.69	\$ 136.44	\$ 126.19	\$ 7.13	22.1%	
Median			1998	28,129	\$ 171.79	\$ 146.13	\$ 136.87	\$ 6.66	16.5%	
Std Dev			17	4,774	\$ 41.62	\$ 34.08	\$ 30.07	\$ 1.45	22.7%	
- 1 Std Dev			1976	21,981	\$ 118.07	\$ 102.37	\$ 96.11	\$ 5.68	-0.6%	
+ 1 Std Dev			2010	31,530	\$ 201.32	\$ 170.52	\$ 156.26	\$ 8.58	44.7%	
Buildings w/ 2 Flrs +										
Minimum	Count	18	1917	3,698	\$ 69.46	\$ 66.68	\$ 67.21	\$ 3.00	8.1%	
Maximum			2013	106,250	\$ 224.91	\$ 186.76	\$ 172.71	\$ 12.00	97.3%	
Mean			1981	32,457	\$ 147.69	\$ 126.53	\$ 118.64	\$ 7.55	27.5%	
Median			1989	28,129	\$ 145.91	\$ 111.93	\$ 108.96	\$ 7.26	16.7%	
Std Dev			27	25,883	\$ 49.94	\$ 39.01	\$ 34.12	\$ 2.32	25.9%	
- 1 Std Dev			1953	6,574	\$ 97.75	\$ 87.51	\$ 84.51	\$ 5.23	1.5%	
+ 1 Std Dev			2008	58,341	\$ 197.63	\$ 165.54	\$ 152.76	\$ 9.86	53.4%	
2501 13 AVE S										
WELLS FARGO BANK OF ND					01-0375-00095-000	1	\$ 3,438,000	1981	23,990	\$ 143.31 \$ 108.09 \$ 92.73 \$ 5.25 7.6%

ASSESSMENT DEPARTMENT RECOMMENDATION

Retain the 2014 assessment of \$3,438,000, and deny Abatement #4449.

Application For Abatement Or Refund Of Taxes

North Dakota Century Code § 57-23-04

FARGO ASSESSOR

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 City of Fargo

County of Cass Property I.D. No. 01-0375-00095-000

Name Wells Fargo Bank of ND Telephone No. (720) 524-0022

Address c/o Ryan LLC, 5251 DTC Parkway, Suite 1045, Greenwood Village, CO 80111

Legal description of the property involved in this application:

2501 S 13th Ave
& L2 B6 S&W CENTRAC ADDITION
YOC 1981

Total true and full value of the property described above for the year 2014 is:

Land \$ 845,000
Improvements \$ 2,593,000
Total \$ 3,438,000 (1)

Total true and full value of the property described above for the year 2014 should be:

Land \$ 845,000
Improvements \$ 1,289,000
Total \$ 2,134,000 (2)

The difference of \$ 1,304,000.00 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 according to N.D.C.C. § 57-02-08.1. Attach a copy of Homestead Credit 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: \$
2. Has the property been offered for sale on the open market? If yes, how long?
Asking price: \$ Terms of sale:
3. The property was independently appraised: Purpose of appraisal:
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 property value be reduced to \$2,134,000

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 Signature of Applicant Date

Ethan Horn, Agent ethan.horn@ryan.com

Recommendation of the Governing Body of the City or Township

Recommendation of the governing board of CITY OF FARGO

On MAY 26, 2015, 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 24TH day of JUNE, 2015.

[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 Wells Fargo Bank of ND

County Auditor's File No. 4449

Date Application Was Filed With The County Auditor 3/23/2015

Date County Auditor Mailed Application to Township Clerk or City Auditor 3/23/2015
(must be within five business days of filing date)

A Value Analysis of
Fargo West
Located at
2501 S 13th Avenue
Fargo, ND 58103

Prepared by
Ryan Property Tax Services



CONFIDENTIAL

As of
January 1, 2014

RYAN PROPERTY TAX SERVICES PROPERTY SUMMARY

Tax Year	2014
District Handler	Ethan Horn
Client - Owner Name	Wells Fargo Bank
Property Name	Fargo West
Address	2501 S 13th Avenue
City, State Zip Code	Fargo, ND 58103
Property Type	Office
Building Class	B
Site Size (Acres)	3.6900
Site Size (SF)	160,736
Description of Improvements	One Two-Story Office Building w/ First Floor Bank and Drive Through
NLA (SF)	23,990
Major Tenants	Wells Fargo Bank
Year of Construction	1981
Tax Account Parcel Number(s)	01-0375-00095-000

INCOME ANALYSIS

Property Information	
Property Name	Fargo West
Address	2501 S 13th Avenue
City/State	Fargo, ND 58103
Property Type	Office - Class B
Total NRA	23,990
Year of Construction	1981
Parcel No.	01-0375-00095-000
2014 Tax Rate	1.485176%

Relevant Information			
	Initial 2014	2013	2012
Assessed Value	\$3,438,000	\$2,875,200	\$2,818,800
per square foot	\$143.31	\$119.85	\$117.50
2014			
Occupancy	100%		
Expenses Net of Taxes	\$5.75		
Market Rent	\$16.75		

Space Type	Square Feet	Market Rent
Office	11,995	\$ 13.40
Bank	11,995	\$20.10
Weighted Average	Market Rent	\$16.75

INCOME

Market Rent

\$401,833 \$16.75

GROSS INCOME

\$401,833 \$16.75

LESS: Vacancy & Collection Loss

\$40,183 10%

EFFECTIVE GROSS INCOME

\$361,649

EXPENSES

LESS: Market Expenses Net of Taxes

\$137,943 \$5.75

LESS: Capital Reserves

\$0

NET OPERATING INCOME:

\$223,707

MARKET CAPITALIZATION

Cap Rate

9.00%

Tax Load

1.49%

TOTAL CAP RATE:

10.49%

STABILIZED VALUE:

\$2,134,000 \$88.95

LESS: Deferred Maintenance

\$0

LESS: Cost to Stabilization

\$0

2014 INDICATED VALUE:

\$2,134,000 \$88.95

COMMENTS:

Per the provided CoStar Survey, Market Office *asking* Rents = \$13.40/sf Gross
 Survey criteria was all Cass County Office Space w/ at least 5,000sf available
 Due to lack of Bank rent comparables, we utilized a 50% premium for the first floor space.
 Keep in mind that the 2nd floor of the property has no windows, which would certainly affect their achievable rent.
 A sales survey (provided) was also done for similar class B office space. These sales indicated values of \$55/sf - \$81/sf.

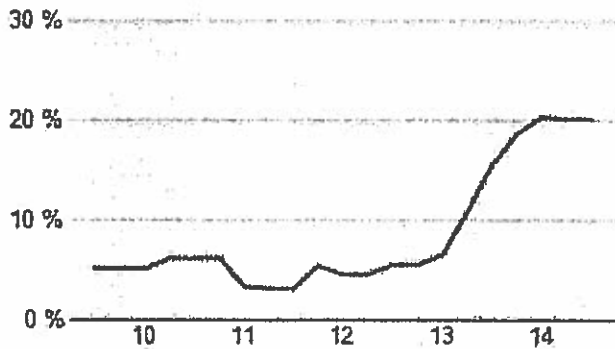
Availability	Survey	5-Year Avg
Gross Rent Per SF	\$13.40	\$12.83
Vacancy Rate	20.1%	8.4%
Vacant SF	108,431	42,467
Availability Rate	33.9%	16.9%
Available SF	184,667	86,467
Sublet SF	14,796	0
Months on Market	16.3	20.9

Inventory	Survey	5-Year Avg
Existing Buildings	14	12
Existing SF	538,307	506,181
12 Mo. Const. Starts	11,160	11,716
Under Construction	6,072	9,891
12 Mo. Deliveries	11,160	13,073

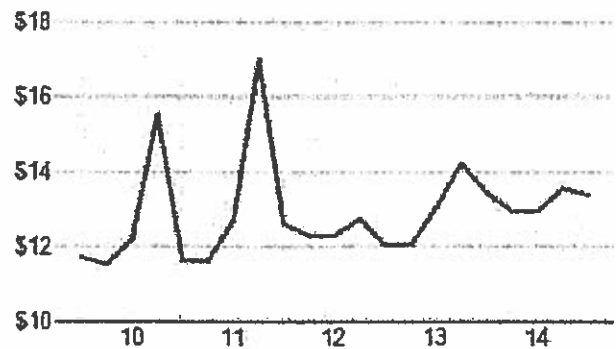
Demand	Survey	5-Year Avg
12 Mo. Absorption SF	-40,359	-11,095
12 Mo. Leasing SF	25,691	9,200

Sales	Past Year	5-Year Avg
Sale Price Per SF	-	\$80
Asking Price Per SF	\$129	\$110
Sales Volume (Mil.)	-	\$9.6
Cap Rate	-	14.3%

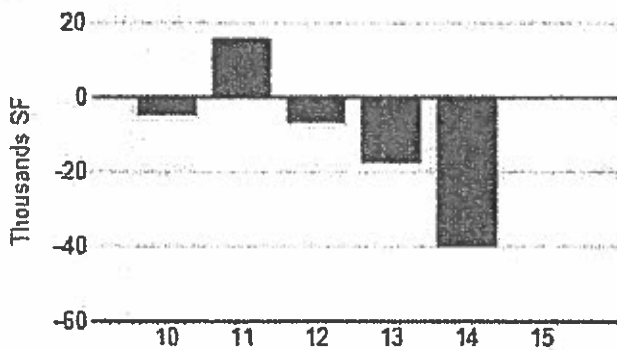
Vacancy Rate

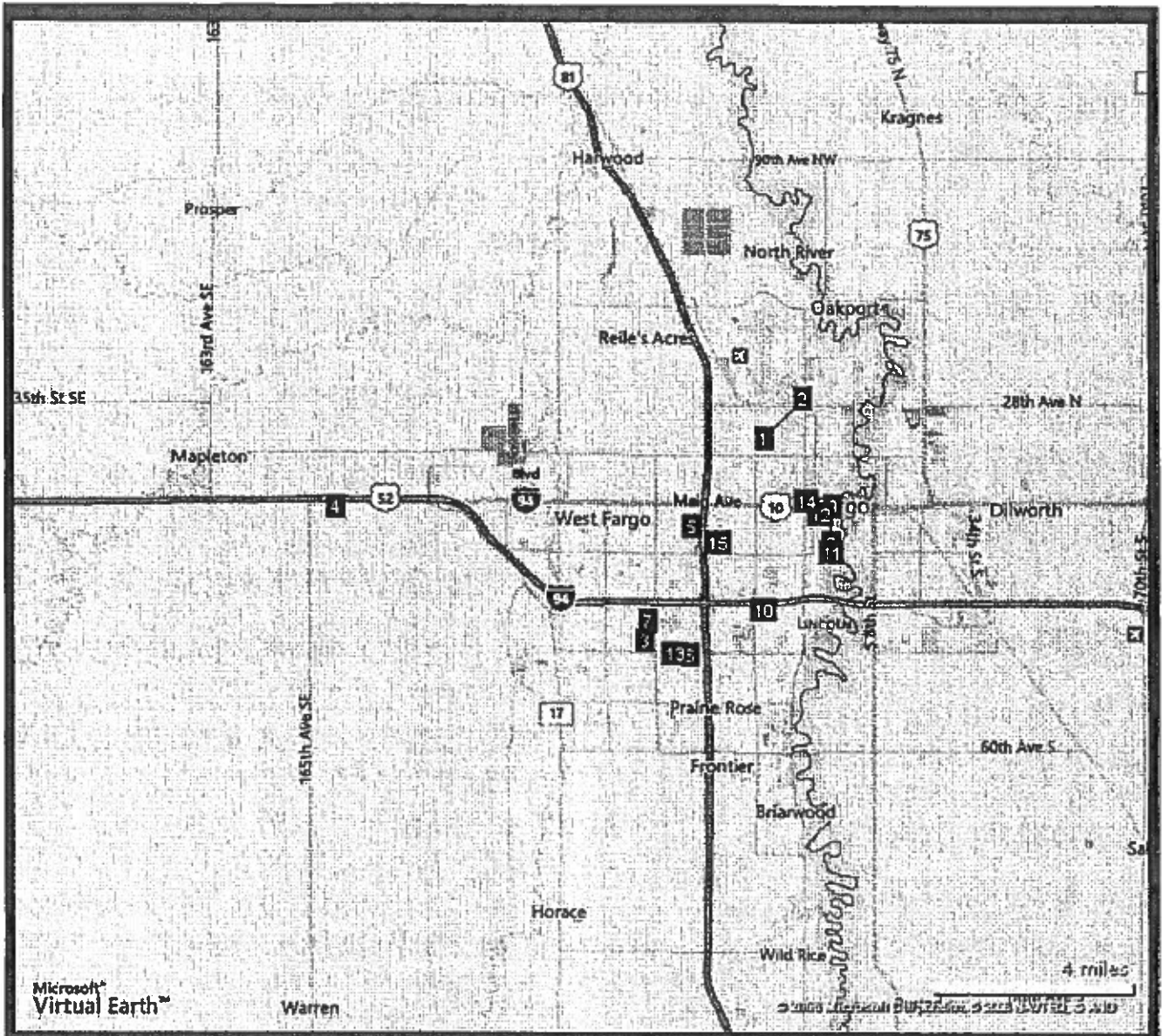


Gross Asking Rent Per SF



Net Absorption

















1
1375 21st Ave N
Fargo, ND 58102
Cass County
 - Submarket

Building Type: Class C Office
Status: Built 2006
Building Size: 18,000 SF
Typical Floor Size: 18,000 SF
Stories: 1
Expenses: 2010 Tax @ \$1.42/sf, 2012 Est Tax @ \$1.53/sf; 2012 Est Ops @ \$2.22/sf

Space Avail: 6,000 SF
Max Contig: 6,000 SF
Smallest Space: 3,000 SF
Rent/SF/Yr: \$13.00
% Leased: 66.7%

2		<p>1391 21st Ave N Fargo, ND 58102 Cass County - Submarket</p>	<p>Building Type: Class B Office Status: Under Construction, delivers May 2015 Building Size: 6,072 SF Typical Floor Size: 6,072 SF Stories: 1</p>	<p>Space Avail: 6,072 SF Max Contig: 6,072 SF Smallest Space: 1,500 SF Rent/SF/Yr: \$13.50 % Leased: 0%</p>
3		<p>4776 S 28th Ave Fargo, ND 58104 Cass County - Submarket</p>	<p>Building Type: Class B Office Status: Built 2007 Building Size: 40,114 SF Typical Floor Size: 20,057 SF Stories: 2 Expenses: 2013 Tax @ \$1.04/sf; 2010 Ops @ \$3.90/sf</p>	<p>Space Avail: 11,112 SF Max Contig: 11,112 SF Smallest Space: 8,181 SF Rent/SF/Yr: \$16.00 % Leased: 72.3%</p>
4		<p>16550 37th St SE Mapleton, ND 58059 Cass County - Submarket</p>	<p>Building Type: Class B Office Status: Built 1986 Building Size: 25,162 SF Typical Floor Size: 12,581 SF Stories: 2 Expenses: 2013 Tax @ \$0.45/sf</p>	<p>Space Avail: 25,162 SF Max Contig: 16,162 SF Smallest Space: 3,581 SF Rent/SF/Yr: \$10.00 % Leased: 64.2%</p>
5		<p>501-505 40th St S West Park Plaza Fargo, ND 58103 Cass County - Submarket</p>	<p>Building Type: Class C Office Status: Built 1994 Building Size: 56,000 SF Typical Floor Size: 28,000 SF Stories: 2 Expenses: 2013 Tax @ \$0.42/sf</p>	<p>Space Avail: 23,600 SF Max Contig: 23,600 SF Smallest Space: 11,800 SF Rent/SF/Yr: \$10.00 % Leased: 78.9%</p>
6		<p>3154 41st St S Fargo, ND 58104 Cass County - Submarket</p>	<p>Building Type: Class B Office Status: Built Nov 2014 Building Size: 11,160 SF Typical Floor Size: - Stories: - Expenses: 2013 Tax @ \$1.52/sf</p>	<p>Space Avail: 11,160 SF Max Contig: 11,160 SF Smallest Space: 2,500 SF Rent/SF/Yr: \$14.00 % Leased: 0%</p>
7		<p>4725 Amber Valley Pky Amber Valley II Fargo, ND 58104 Cass County - Submarket</p>	<p>Building Type: Class B Office Status: Built 2003 Building Size: 14,796 SF Typical Floor Size: 14,796 SF Stories: 1 Expenses: 2013 Tax @ \$1.09/sf; 2009 Ops @ \$1.97/sf</p>	<p>Space Avail: 14,796 SF Max Contig: 14,796 SF Smallest Space: 9,264 SF Rent/SF/Yr: \$10.50 % Leased: 100%</p>

<p>8</p> 	<p>122 Broadway R & N Properties Fargo, ND 58102 Cass County - Submarket</p>	<p>Building Type: Class C Office Status: Built 1905 Building Size: 13,250 SF Typical Floor Size: 6,625 SF Stories: 2 Expenses: 2013 Tax @ \$2.53/sf</p>	<p>Space Avail: 6,000 SF Max Contig: 6,000 SF Smallest Space: 500 SF Rent/SF/Yr: \$7.00 % Leased: 54.7%</p>
<p>9</p> 	<p>51 Broadway N Dakota Bank Building Fargo, ND 58102 Cass County - Submarket</p>	<p>Building Type: Class B Office Status: Built 1981 Building Size: 119,749 SF Typical Floor Size: 19,958 SF Stories: 6 Expenses: 2009 Tax @ \$0.08/sf, 2012 Est Tax @ \$0.13/sf; 2012 Est Ops @ \$2.71/sf</p>	<p>Space Avail: 16,630 SF Max Contig: 11,976 SF Smallest Space: 821 SF Rent/SF/Yr: \$8.50-\$12.50 % Leased: 86.1%</p>
<p>10</p> 	<p>1717 Gold Dr S Nokia Building Fargo, ND 58103 Cass County - Submarket</p>	<p>Building Type: Class B Office/Medical Status: Built 1999 Building Size: 56,000 SF Typical Floor Size: 28,000 SF Stories: 2 Expenses: 2012 Tax @ \$5.28/sf; 2014 Combined Est Tax/Ops @ \$6.75/sf</p>	<p>Space Avail: 16,129 SF Max Contig: 16,129 SF Smallest Space: 16,129 SF Rent/SF/Yr: \$11.00 % Leased: 71.2%</p>
<p>11</p> 	<p>520 Main Ave Bank of the West Tower Fargo, ND 58103 Cass County - Submarket</p>	<p>Building Type: Class B Office Status: Built 1972 Building Size: 105,890 SF Typical Floor Size: 8,600 SF Stories: 12 Expenses: 2013 Tax @ \$1.19/sf</p>	<p>Space Avail: 8,600 SF Max Contig: 8,600 SF Smallest Space: 8,600 SF Rent/SF/Yr: \$19.95 % Leased: 100%</p>
<p>12</p> 	<p>824 Main Ave Fargo, ND 58103 Cass County - Submarket</p>	<p>Building Type: Class C Office Status: Built 1925 Building Size: 13,200 SF Typical Floor Size: 5,870 SF Stories: 2 Expenses: 2013 Tax @ \$0.54/sf</p>	<p>Space Avail: 5,000 SF Max Contig: 5,000 SF Smallest Space: 920 SF Rent/SF/Yr: \$10.00-\$13.00 % Leased: 62.1%</p>
<p>13</p> 	<p>3175 Sienna Dr S 42nd Business Center Fargo, ND 58104 Cass County - Submarket</p>	<p>Building Type: Class B Office Status: Built 2013 Building Size: 14,986 SF Typical Floor Size: 14,986 SF Stories: 1 Expenses: 2013 Tax @ \$2.07/sf, 2012 Est Tax @ \$0.56/sf; 2010 Ops @ \$5.15/sf, 2012 Est Ops @ \$5.15/sf</p>	<p>Space Avail: 7,408 SF Max Contig: 7,408 SF Smallest Space: 7,408 SF Rent/SF/Yr: \$13.00 % Leased: 100%</p>

14



121 N University Dr
Manchester Building
Fargo, ND 58102
Cass County
- Submarket

Building Type: Class B Office
Status: Built 1919
Building Size: 20,000 SF
Typical Floor Size: 6,666 SF
Stories: 3
Expenses: 2009 Tax @ \$1.81/sf

Space Avail: 19,998 SF
Max Contig: 19,998 SF
Smallest Space: 200 SF
Rent/SF/Yr: \$13.50
% Leased: 100%

15



3320 Westrac Dr S
Fargo, ND 58103
Cass County
- Submarket

Building Type: Class C Office/Medical
Status: Built 1985
Building Size: 30,000 SF
Typical Floor Size: 15,000 SF
Stories: 2
Expenses: 2013 Tax @ \$0.47/sf

Space Avail: 7,000 SF
Max Contig: 7,000 SF
Smallest Space: 3,000 SF
Rent/SF/Yr: \$10.00
% Leased: 76.7%



	Address	City	Property Info	Sale Info
1	404 4th Ave N	Fargo	13,710 SF Class B Office	Sold: \$890,625 (\$64.96/SF)
2	1801 W 38th St SW	Fargo	10,268 SF Class B Office	Sold: \$1,075,000 (\$81.12/SF)
3	502 N First Ave	Fargo	20,000 SF Class B Office	Pending: w/Asking Price of \$1,250,000 (\$62.50/SF)
4	1220 Main Ave	Fargo	18,665 SF Class B Office/Medical	Sold: \$1,293,750 (\$69.31/SF)
5	1712 Main Ave	Fargo	13,360 SF Class B Office	Sold: \$730,000 (\$54.64/SF)

1 404 4th Ave N **SOLD**

Fargo, ND 58102 **Cass County**

Recorded Buyer: **404 Place Llc**
 404 N 4th Ave
 Fargo, ND 58102

Recorded Seller: **Mccormick Place LLP**
 510 N 4th Ave
 Fargo, ND 58102
 (701) 280-0187

True Buyer: **404 Place Llc** True Seller: **Mccormick Place LLP**



Sale Date: **03/20/2014 (489 days on mkt)** Bldg Type: **Class B Office**
 Sale Price: **\$890,625 - Unconfirmed** Year Built/Age: **Built 1916 Age: 98**
 Price/SF: **\$64.96** RBA: **13,710 SF**
 PrFrma Cap Rate: **-** Land Area: **0.32 AC (13,939 SF)**
 Actual Cap Rate: **-** Zoning: **-**
 Sale Conditions: **Purchase By Tenant**

Parcel No: **01-2160-00010-000**
 Financing: **\$712,500 from Alerus Fin'l Na**
 Comp ID: **2993852 - Research Status: Unconfirmed**

2 1801 W 38th St SW - AAA Building **SOLD**

Fargo, ND 58103 **Cass County**

Recorded Buyer: **Minnesota Hospitality Inc** Recorded Seller: **Jgc Leasing LLC**
 (701) 280-2037

True Buyer: **Knight Printing** True Seller: **Jgc Leasing LLC**



Sale Date: **10/16/2013** Bldg Type: **Class B Office**
 Sale Price: **\$1,075,000 - Confirmed** Year Built/Age: **Built 1972 Age: 41**
 Price/SF: **\$81.02** RBA: **13,268 SF**
 PrFrma Cap Rate: **-** Land Area: **2.02 AC (87,991 SF)**
 Actual Cap Rate: **-** Zoning: **-**
 Sale Conditions: **Deferred Maintenance**

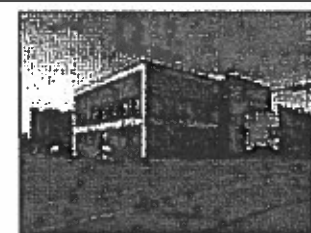
Parcel No: **01-6000-00100-000**
 Financing: **\$1,031,250 from Town & Country CU**
 Comp ID: **2875504 - Research Status: Confirmed**

3 502 N First Ave - Gibb Building **PENDING**

Fargo, ND 58102 **Cass County**

Listing Broker: **Prudential Premier Real Estate**
 1815 38th St S
 Fargo, ND 58103
 (701) 356-3600

Lyle Rasmussen
 (701) 356-3600
 Kim Kelsh
 (701) 356-3600



Asking Price: **\$1,250,000** Sale Type: **Investment**
 Price/SF: **\$62.50** Bldg Type: **Class B Office**
 Days on Market: **257** Bldg Status: **Built 1902**
 Sale Status: **Pending** RBA: **20,000 SF**
 Actual Cap Rate: **5.00%** Zoning: **Commercial; General**

Parcel No: **01-1520-00120-000**

4

1220 Main Ave - 1220 Professional Bldg

SOLD

Fargo, ND 58103

Cass County

Recorded Buyer: **Fines Holdings I LLC**
1220 Main Ave
Fargo, ND 58103
True Buyer: **Fines Holdings I LLC**

Recorded Seller: **Sierra Holdings LLC**
True Seller: **Darlys Anderson LTD**



Sale Date: **01/02/2014**
Sale Price: **\$1,293,750 - Full Value**
Price/SF: **\$69.31**

Bldg Type: **Class B OfficeMedical**
Year Built/Age: **Built 1983 Age: 31**
RBA: **18,665 SF**
Land Area: **0.58 AC (25,265 SF)**
Zoning: **Commercial**
Sale Conditions: **Purchase By Tenant**

PrFrma Cap Rate: -
Actual Cap Rate: -

Parcel No: **01-2240-01725-053**
Financing: **\$1,035,000 from Union State Bank**
Comp ID: **2943364 - Research Status: Full Value**

5

1742 Main Ave - Pladson Building

SOLD

Fargo, ND 58103

Cass County

Recorded Buyer: **Icon Properties LLP**
190 S Prairiewood Dr
Fargo, ND 58106
(701) 371-8234

Recorded Seller: **Pladson William S**



Sale Date: **04/10/2014 (290 days on mkt)**
Sale Price: **\$730,000 - Confirmed**
Price/SF: **\$54.64**

Bldg Type: **Class B Office**
Year Built/Age: **Built 1959 Renov 1981 Age: 55**
RBA: **13,360 SF**
Land Area: **0.57 AC (24,829 SF)**
Zoning: **Commercial**
Sale Conditions: **Purchase By Tenant**

PrFrma Cap Rate: -
Actual Cap Rate: -

Parcel No: **01-0060-00042-010**
Financing: **\$584,000 from Private Individual Fas Fiancial Inc**
Comp ID: **3012521 - Research Status: Confirmed**



Corporate Properties Group
333 Market Street, 10th Floor
Mac A0109-101
San Francisco, CA 94105


LETTER OF AUTHORIZATION FOR TAX REPRESENTATION

This letter serves as authorization for Ryan, LLC., PO Box 2609, Carlsbad CA 92018, (760) 602-5300, to represent in its affairs concerning all property tax matters for all accounts and/or parcels in all jurisdictions. This includes, but is not limited to: filing property renditions/statements, signing and filing of appeals, examining all property tax records, representation before the assessor, boards of equalization or review, and/or any other governmental agency responsible for the assessment of property.

This representation shall remain in effect until written notice of termination is issued by:

Wells Fargo Bank, N.A. ; Wells Fargo Advisors,
LLC; Wells Fargo Insurance Services; Wells
Fargo Capital Finance;

Assessee: _____

By: 

Regina Lee, Group Controller,
Wells Fargo Corporate Properties Group

AUTHORIZED SIGNATURE

PRINT NAME, TITLE

Dated this 13th day of January, 2014.

I certify that the signature above is a true and correct signature provided as a duly appointed officer or authorized employee of the above referenced company. If a copy of this form is being submitted, I will produce the original form with original signature upon request. If a completed application for changed assessment is attached to this authorization, I certify that a copy has been forward to applicant named in this application.

Ryan, LLC.

By: 

Date 3/13/15

Tax Year: 2014/2015