

Staff Report for 2019 State Board of Equalization

September 25, 2019

File No.: 2019-DICKINSON-SIERRA RIDGE APTS

Prepared By: Property Tax Division

County or City: City of Dickinson

Appellant: S&B Dickinson Apartments 1 LLC

Issue: Protests the assessment of parcel number 1168-0200-0100 and 1169-0100-0100 – Sierra Ridge Apts.

Summary: Michelle Turner of Ryan LLC, agent for S&B Dickinson Apartments 1 LLC, protests the assessment on the complex located within the City of Dickinson. The appellant believes the assessment is too high.

Analysis: The City of Dickinson Board of Equalization was presented an original valuation of \$28,586,200 (according to the equalization meeting minutes) by Dickinson City Assessor Joe Hirschfeld. The board requested Mr. Hirschfeld review apartment properties with 100 or more units and recessed. When the City Board of Equalization reconvened, Mr. Hirschfeld provided a recommendation of a 10% obsolescence be applied to apartment buildings with 100 units or more. After review, the updated value for Sierra Ridge Apartments was approved at \$23,221,500.

At the time of the staff recommendations to the State Board of Equalization, (SBOE) three requests for information regarding the appeals filed by Ryan Property Tax, LLC, have gone unanswered. The Property Tax Division staff made a site visit and was provided all requested information from the local city assessor or tax equalization director.

A verbal conversation was held with Mr. Horn, by phone, on July 30, 2019. He was informed that all material was to be submitted by August 2, 2019, to make the information available to SBOE members at the time of the initial meeting on August 13, 2019. An appellant questionnaire was sent to Mr. Horn on July 30, 2019. The questionnaire requests that all information be provided that the appellant would like to be considered during the investigation. An email was sent to Mr. Horn on August 16, 2019, requesting a time to setup tours of the appealed properties. A response was not received.

An on-site inspection of the grounds and common areas was completed in 2015, 2016, 2017 and 2018. For the 2015 appeal to the State Board of Equalization we also toured a model unit. There are twelve apartment buildings with a total of 278 units, several detached and attached tuck-under garages, and a clubhouse. The complex offers a fitness center, outdoor grill and patio area, on-site management, and several different floor plan options. Property record details were reviewed.

The following income approach was calculated using market justified data. The subject property has an estimated potential gross income of \$3,543,096, a 10% vacancy and loss was deducted, \$400,000 extra income was added (figure used from last appeal), for an effective gross income of \$3,588,786. Allowable expenses of 45% was subtracted from the effective gross income, which calculated a final potential net operating income of \$1,973,832. A loaded capitalization rate of 8% provided the final estimate of value at \$24,672,906. Mr. Hirschfeld was able to provide two appraisals submitted to his office to defend a capitalization rate of 6.5% used in the income approach to value by his office. Both appraisals submitted were for the same property and were used to determine market value on a 1985 24-unit apartment complex. The appraisal submitted by a separate appellant indicated a capitalization rate of 8%. The appraisal submitted included 6 total sales, rates were in the range of 5.75 to 8.32. The highest rate was not considered because the city assessor has determined the sale was not considered an arm's length transaction. Using the other sales provided in the report a capitalization rate of 8% (7% plus 1% for taxes) was determined by the property tax division.

Although the other sales provided in the appraisal report are in Williston, they indicate an arm's length transaction that has occurred on an open market. Sales within the City of Dickinson, in 2018, were minimal. Of the 4 actual sales submitted by Mr. Hirschfeld: No. 1 was built in 1950 with an addition in 1974 and has 5 rental units; No. 2 is of an older unit, built in 1951 with 4 rental units that sold in 2017; No. 3 sold in 2018, built in 1977 with 12 units and No. 4 was built in 1925 with 12 rentals available. Sale No. 1 indicates an exempt sale that is not required to provide a sales price; Mr. Hirschfeld provided a sales price and it is assumed correct. These apartment sales indicate an average of \$41,000/per unit. These sales are not similar to the subject property.

The three approaches to value were considered. Given the nature of the subject property, the income approach was deemed most appropriate. Upon completion of the review, the information gathered by the Property Tax Division, supports the assessment of \$23,221,500, as approved by the city and county.

Recommendation: No action required.