Staff Report for 2017 State Board of Equalization

September 27, 2017
File No.: 2017-STAR-DKSN-004
Prepared By: Property Tax Division - KV, DB
County or City: City of Dickinson
Appellant: Dickinson Properties, LLC represented by Ethan Horn, Ryan Property Tax
Issue: Protests the assessment of parcel 41111003000900

Summary: Dickinson Properties, LLC represented by Ethan Horn, Ryan Property Tax, protests the assessment on Microtel Inn & Suites located within the City of Dickinson.

Analysis: The City of Dickinson Board of Equalization and the Stark County Board of Equalization approved an assessment of $4,841,900 ($486,000 land and $4,355,900 for the improvements). Mr. Horn, representing Dickinson Properties, LLC, requests an assessment of $2,010,197.

The Dickinson City Assessor, Joe Hirschfield, reported no comparable sales within his jurisdiction to the appellant’s parcel within the last three years.

The income information from Microtel was requested by Mr. Hirschfield in January. It was provided by the appellant’s tax representative on May 3, 2017. North Dakota Century Code 57-11-01 requires that the city board of equalization meet annually on the second Tuesday of April each year. The Dickinson City Board of Equalization met on May 8, 2017. Not providing income information or allowing sufficient time to utilize the income approach by the local taxing authority, along with a lack of arms-length transactions, weakens two very important approaches to value. This essentially does not provide the local boards of equalization the necessary information to adjust an assessment in a timely manner when there is an appeal at the local level.

Mr. Horn provided an income analysis along with an income and expense statement to the Property Tax Division. The income and expense statement provided is from 2015 and currently we are considering income for 2016. A questionnaire was sent to all appellants after an appeal was received by the Property Tax Division. The questionnaire requests all information regarding the appeal be presented at the time of the appeal. Due to time restraints the income analysis was considered, however the income and expense statement was not. Using the average daily rate provided, applying a vacancy percentage as reported, plus other actual income, deducting for allowable expenses we were able to calculate the net operating income (NOI). From the NOI, 70% is attributed to the real estate, a capitalization rate of 8% was applied, in addition to a 1% effective tax rate, to estimate a per unit market value of $64,974.81 for a total of $5,133,009.78.

Using the Marshall and Swift Valuation Service cost manual, applying the local multipliers, considering depreciation and adding the land, the cost approach calculates an approximate 2% lower assessment than Mr. Hirschfield’s. The percentage of difference is not enough to recommend a change. Both the cost and income approach justify the assessment.

Recommendation: No change to the assessment as approved by the City of Dickinson and the Stark County Board of Equalization. Recommend the Dickinson City Assessor to continue closely monitoring the market and make adjustments as necessary to maintain equitable and equalized assessments.