Staff Report for 2017 State Board of Equalization

September 27, 2017  
File No.: 2017-STAR-DKSN-005  
Prepared By: Property Tax Division - KV, DB

County or City: City of Dickinson  
Appellant: FW TownHouses, LLC represented by Ethan Horn, Ryan Property Tax

Issue: Protests the assessment of parcel 0970-0200-2400

Summary: FW TownHouses, LLC represented by Ethan Horn, Ryan Property Tax, protests the assessment on a commercial property located within the City of Dickinson.

Analysis: The City of Dickinson Board of Equalization and the Stark County Board of Equalization approved a valuation of $3,110,300 ($385,000 land and $2,725,300 for the improvements). Mr. Horn, representing FW Townhouses, requests a valuation of $1,866,784. FW Townhouses consists of two steel frame structures set-up as shop condos, most with small finished office space, two truck wells and totals 38,000 square feet (SF.)

Consideration was given to the three approaches to value. The Dickinson City Assessor, Joe Hirschfield, reported no comparable sales within his jurisdiction to the appellant’s parcel. He did provide information on two sales. Both sales were of small metal warehouses (1,080 and 3,360 SF) with mill work framing.

Mr. Horn provided the Property Tax Division with the rent roll as of February 1, 2017. Analyzing the information from Mr. Horn, the rent per square foot range is $3.00 to $20.16 annually. Because of the drastic swing in rental rates we arrayed the rates to provide per SF rental rate. Starting with the potential gross income we used a vacancy and loss rate provided by the appellant, deducted for allowable expenses to achieve a net operating income (NOI.) From the NOI a 9% capitalization rate was used, in addition to a 1% effective tax rate, to compute a market value. The earning capacity figured is much higher than the figures provided by Mr. Horn. The correlation between rental rates is questionable. A unit with 4,000 SF was leased in June of 2016 at $3.00 per SF and in March of 2016 a unit with 5,000 SF was rented for $20.16 per SF annually. When utilizing the income approach the potential gross income is used to determine a market value; which is a common and acceptable practice.

For the cost approach, the Marshall and Swift Valuation Service costing manual was used to determine a replacement cost new. Using the local multipliers and 4% depreciation and adding back in the land, we calculated a 10% lower cost than the City of Dickinson assessor.

The cost and the income approaches are the most relevant indicators of value for this type of property. The cost calculated is within a range that does not warrant a change in assessment and the income approach appropriately justifies the assessment as approved at the local level.

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