Staff Report for 2016 State Board of Equalization

September 27, 2017

File No.: 2017-STAR-DKSN-004  Prepared By: Property Tax Division - DB, KV
County or City: City of Dickinson
Appellant: S & B Dickinson Apartments 1, LLC represented by Ethan Horn, Ryan Property Tax
Issue: Protests the assessment of parcels 1168-0200-0100 and 1169-0100-0100

Summary: S & B Dickinson Apartments 1, LLC represented by Ethan Horn, Ryan Property Tax, protests the assessment on the Sierra Ridge apartment complex property 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 $32,195,500 ($1,532,700 land and $30,662,800 for the improvements). Mr. Horn believes the assessment does not take into account the external obsolescence that the market faced in 2016 and states the true and full value is too high. Mr. Horn is proposing an assessment of $13,383,000 for a total reduction of $18,812,500.

An onsite inspection was completed in 2015, 2016 and on August 25, 2017. For the 2015 appeal to the State Board of Equalization we toured a model unit, walked around the complex grounds, and inspected the clubhouse and mail building. 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. The 2015 assessment cycle was the first full assessment for the parcel.

Consideration was given to the three approaches to value. The rents used in the income approach calculation are market rents in the City of Dickinson and consideration was given to the rents Sierra Ridge provided. The yearly potential gross income, a percentage deduction for vacancy and loss (with a concession rate taken into consideration), adding in other verified income provided the potential effective income. I then adjusted for an allowable expense percentage and used an appropriate capitalization rate (which includes the effective tax rate.)

The cost approach was considered using information provided by the appellant. Based on the information submitted, by Mr. Horn, the subject property was constructed for $40,321,722 (without land). We did review the construction costs; however we did not verify the validity of the reported cost to build. We also reviewed the cost method provided by the City of Dickinson Assessors’ Office which was originally at $43,536,100 (2015 assessment and without land.)

Mr. Hirschfeld reported no comparable sales to the 278-unit Sierra Ridge Apartments have recently occurred. Because of the amount of units, garage spaces, and amenities this apartment complex offers, this complex sets the high end of the market in Stark County.

Mr. Hirschfeld requested income information from 190 apartments located within the City of Dickinson. He received minimal response to the request. The letter was sent to the owner of the Sierra Ridge complex on January 11, 2017. Mr. Horn provided income information on April 27, 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.
An assessment considers three approaches to value: sales, income and cost. 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.

Considering the three approaches to value the income approach was given the most consideration, followed by the cost approach. The taxpayer’s opinion of value considers only the income approach with no further consideration given to the other appropriate methods to value. The assessor’s valuation takes into consideration two of the three approaches to value and justifies the assessment.

Parcel 1169-0100-0100 is a vacant lot adjacent to the Sierra Ridge Complex. It is zoned high density residential. The lot is 2.872 acres and is assessed for $359,000 with a vacant adjustment of -$28,170 for a total of $330,800 (rounded). The price per SF is $2.86. It is on the corner of 21st Street West and State Avenue. A comparable sale was reported by Mr. Hirschfield. The property is located west of the subject property and is 1.94 acres. It recently sold for $950,000.00 or $11.24 per SF. The information provided by the assessor justifies 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.