

BOARD OF EQUALIZATION

CITY OF DICKINSON, NORTH DAKOTA

APRIL 8, 2020

Pursuant to due call and notice, with notice of publication in the Dickinson Press, the Board of Equalization met in compliance with North Dakota State Law. The meeting was held on April 8, 2020 commencing at 9:00 am, in City Hall located at 99 2nd Street East.

1, CALL TO ORDER

President Scott Decker called the meeting to order at 9:00 am and directed that a copy of the published notice be included as part of the minutes.

NO C
The City of Dickinson Board of Equalization will meet on Wednesdays April 8, 2020 at 9:00 AM at City Hall, 99 2nd Street East subject to current COVID-19 Federal Guidelines.
(March 25; April, 2020) 2830855

ROLL CALL

Present: President Scott Decker, Commissioners: Jason Fridrich, Sarah Jennings-Trustem, Carson Steiner, Nicole Wolla.

Also Present: City Assessor Joe Hirschfeld, City Administrator Joseph Gaa, City Deputy Administrator Linda Carlson and Dickinson City Attorney Christina Wenko.

2. President Decker verified with City Assessor Joe Hirschfeld that the work of the Assessor has been completed and all assessments entered in the assessment roll.

3. Assessor's Report: City Assessor Hirschfeld gave a summary of sales ratio statistics and tax roll information for the year ending 2020 as follows:

<u>True & Full Valuation*</u>	<u>2019</u>	<u>2020</u>
Commercial	\$1,082,816,836	\$1,152,579,910
Residential	<u>1 440 036 200</u>	<u>1 562 022</u>
	\$2,522,853,036	<u>100</u>
		\$2,714,602,010

<u>New Construction</u>	<u>2019</u>	<u>2020</u>
Commercial	\$ 3,247,400	\$28,888,494
Residential	<u>8 608 000</u>	<u>16 974 100</u>
	\$11,855,400	\$45,862,594

<u>Tax Valuation</u>	<u>2019</u>	<u>2020</u>
	\$118,942,471	\$127,919,990

The 2020 amount, up about 8% from last year, is the number that the mills will be used against to generate property taxes.

<u>Median Ratio*</u>	<u>2020</u>
Commercial	87.2
	%

Residential	87.1 %
-------------	-----------

*Based on market sales only (true & full value vs. actual sales)

Of the 30 commercial sales for last year, between the low and the high, the middle number was 87.2% for commercial and residential was 87.1% of 380 sales. Assessor Hirschfeld pointed out that for the commercial ratio study this year we were able to glean all 30 sales from 2019. We did not have to go back to any prior years for sales for this year.

The adjustment after we included new construction and increased values of 10% to structure for both residential and commercial is as follows:

<u>Adjusted Ratio Supplemental**</u>	<u>2020</u>
Commercial	92.2 %
Residential	93.2 %

President Decker asked if there are any questions for Mr. Hirschfeld regarding the Assessor's report. There were no questions.

- President Decker stated that the Board of Equalization shall proceed to equalize and correct the assessment roll according to NDCC 57-11-03. The Board may change the valuation and assessment of any real property upon the roll by increasing or diminishing the assessed valuation thereof as shall be reasonable and just to render taxation uniform according to NDCC 57-11-03. Except that the valuation of any property returned by the Assessor shall not be increased more than 25% without first giving the owner or his agent notice of the intention of the Board to increase it according to NDCC 57-11-03.
- President Decker stated during the session of the Board, any person, his attorney or his agent, feeling aggrieved by anything in the assessment roll may apply to the Board for the correction of alleged errors in the listing or valuation of his property. We have before us the emailed protests. President Decker asked Mr. Hirschfeld if this is a complete list. Mr. Hirschfeld stated we have the emails and a spreadsheet that includes those who emailed their concerns as well as those who phoned theirs in. If you want to know the property or the owners who have been in contact with us, it would be on the spreadsheet. President Decker asked if we have a total. City Assessor Hirschfeld stated that we didn't get them all tallied. President Decker asked if the Commissioners have any questions for the Assessor or his staff about the emails that were sent. They are extensive. Most of the concerns came after the letter was mailed, correct? Mr. Hirschfeld thought that all of the concerns came after the letters were mailed out. President Decker thought there were a couple big property owners that typically challenge our assessment every year that notified us before the notices went out, Mr. Hirschfeld stated that they may have been on our website and viewed that prior to the mail reaching them. But no one was aware of what the new values were until the notices went out. Again, President Decker asked if there are any questions for Mr. Hirschfeld.

Ms. Trustem asked Mr. Hirschfeld to walk the Commissioners and the viewers at home through the evaluation process. How did we get to that number? A lot of the complaints of people wanting to appeal their values don't necessarily understand how we get these numbers and why we need to make these decisions now in April, especially with this economic crisis and pandemic we are currently going through. Can you walk us through this process? Mr. Hirschfeld stated the State of North Dakota with its valuation process requires property to be valued at market value and they determine market value to be the median of the sales and that median to be 100%. So, by definition half the properties are going to be above sales price and half below. However, they also have a

tolerance range which is 90 to 100%, providing for some flexibility for assessors and tax directors to fall within this range with the changing market conditions which we've had in western North Dakota the last decade. If you remember back to 2015-2016 when we had the oil bust, the 2016 prices had decreased to the point where for our 2017 valuation we had to reduce values. Since then we've made changes as properties have been upgraded or new properties have been built but there really haven't been a lot of valuation changes. I think maybe apartments and hotels may have come down a little and maybe metal buildings have come up a little bit, but talking about residential specifically, there hasn't been a change in valuation. So, over the last three years since the election in 2016 and the changing dynamics in the oil industry and the economy the market has been going up 2 or 3% every year, so now we are looking at 6 to 9% which is right along with inflation and if we were at 95% in 2017, we have now fallen outside of that tolerance range. Our sales now indicate that our valuation is 87% of what the median sales are and we are outside of the tolerance range the State has set at 90-100%. While we could have been making 2-3% adjustments annually for an increasing market, we are making one adjustment over the last 3 years to bring us back within tolerance, that is roughly 6-7% depending on the market classification to get us to that 90 to 93% to stay within the State mandated tolerance. When we send notices out because of a notice of increase, the state law requires us to send a notice to anyone who receives a 10% and \$3000 increase in value, I believe 333 properties met that statute so those notices went out. The City Assessor's office in Dickinson supported by the Commissioners have always sent out a valuation notice to everyone in an effort to be transparent to let them know what their values are going to be. There is no state mandate that we let them know what their value is. They might not know that there was a value increase until December when they get their tax bills. We are transparent to send them out and now everyone knows that there is an increase in value. This gives everyone an opportunity to contact us or the Commissioners before the final value is set and then transferred over to the Stark County Board of Equalization. Ms. Trustem asked Mr. Hirschfeld if it is State mandated that the Board of Equalization meet at the beginning of April regardless of what is going on in the world. Mr. Hirschfeld stated that is correct. It used to be the 2nd Tuesday of April with some flexibility given for outside circumstances. That was changed at the last legislative session. It is now required to be heard within the first 15 days of April. Ms. Trustem asked when the notices need to be sent out by. Mr. Hirschfeld said for those who received a required notice of increase, they have to be sent out 15 days before the meeting.

Mr. Steiner asked if the values today were based on the sales last year? Mr. Hirschfeld stated that is correct. Mr. Steiner stated that we are always a year behind. A lot of people are wondering why now when the economy is down. Last year's real estate was a strong seller's market. Mr. Steiner flipped through a real estate magazine and pointed out about 4 properties that the asking price was higher than what we had the property assessed at. Then he referred to a couple of older homes that are assessed for more than they are trying to sell for. Mr. Steiner stated that these are the people who have a legitimate concern. Mr. Steiner believes these are the people who should come and talk to us. Mr. Hirschfeld said that would certainly give them a reason to come visit our office. There might be a reason why we are higher than that. Maybe the last time we viewed that property was 7 or 8 years ago and it was in great condition and since then it has been used roughly by tenants and that could be part of the reason why it is off, just one of many reasons why a property owner would want to come and review the card with us. Mr. Steiner stated that it may be different next year with the 30 sales because of the economy and so on. The important thing to remember now is that this adjustment now was due to last year's market. He also stated that just because there is an increase in the value of the property does not mean that your taxes are going up. It just means that you have an asset that has increased in value. It all depends on what this Board does in the budget meeting coming up. If they have a reduction in expenses, that could offset the increase in the assessment value. Commissioner Steiner continued to talk about how the budget may have to get tightened and how the mills work. Ms. Trustem agreed but stated

however the City Commission today can decide if we want to look at making adjustments that can potentially help out our tax payers and our community. She thought it was important to clarify what this process looked like and how we got to where we are at this point.

President Decker stated it is up to us as a Board to do what we need to do. Even though we have explained to the public how we have come to the valuations as is, they are concerned about now and the pain they are feeling now. President Decker's recommendation is that we stay at the lowest tolerance that we can according to state law. If that means being at 90% then that is where the valuations need to be at. President Decker asked where we are at with the current assessments? Mr. Hirschfeld stated commercial properties are currently at 92.2% and residential at 93.2%.

Mr. Fridrich asked how many of our sales were over-assessed? Mr. Hirschfeld stated that for the 32 commercial sales there were 7 that were above 100%. Mr. Fridrich was looking at one that was sold in 2019 that was about 45% over. He stated that the property has been on the market for over 3 years. Mr. Hirschfeld stated that he did not have a good answer for that without knowing the property and without visiting the property. If the last time the property was inspected was in 2014 by Vanguard for the 2015 year, then maybe the condition of the property had changed significantly or maybe Vanguard had not been given permission to enter and it was over valued at that time and it has now been sold and that has manifested. Ms. Trustem asked Mr. Fridrich if the owner had appealed their valuation. She felt that it does need to come back on the owner. Mr. Fridrich did not know. Ms. Trustem stated that we are not going to be perfect on every valuation, but she agreed that it is troubling to see 40% over assessed. Mr. Fridrich asked if there is some obsolescence applied to properties that sit on the market for 3 plus years? You need to have a buyer and a seller to find market value. If there isn't a buyer the market value must not be what it is. Mr. Hirschfeld stated that with 10,000 parcels, we are not able to look at all of those annually which is why we do the revaluation period which we try to do every 6-7 years. Vanguard did the last one for us. If the property owner doesn't bring it to our attention then it is not something we actively go look at. Brought to our attention, we would go review the property and make any corrections necessary, During our revaluation period if they opt not to let us into the property, then we assume the condition of the property from the street and base it on what we can see. Again, if there is something glaring on the inside that would affect the value negatively or positively that is not reflected on the exterior then it is hard to adjust for that. Mr. Fridrich reviewed the history of the property with the Board. Mr. Fridrich and Mr. Hirschfeld continued discussion regarding the property.

President Decker asked Mr. Hirschfeld if, because of the circumstances and people are not allowed to come in face-to-face, the Assessing Dept. is going to reach out to all the people individually who have protested, correct? Mr. Hirschfeld stated that everyone who has made contact with us, we will review their property record card and we will review the process that Ms. Trustem had me go through so that they understand the law part of this separate from what has changed with their property and at that point if there is something that the property owner believes is incorrect on their property card that would cause the valuation to change then we will find a way to address that as well.

Mr. Fridrich asked Mr. Hirschfeld about a property that sold 12/18/19 for \$310,000. He asked why the value wasn't adjusted to the purchase price for 2020. Mr. Hirschfeld stated that as far as it being adjusted to the purchase price, that is not how state law is in North Dakota. In California

they adjust it to the purchase price. In North Dakota it is part of the sales ratio analysis. There was further discussion regarding the process.

Mr. Steiner wanted to go back to what President Decker was talking about, adjusting down to the minimum requirement of 90%. He stated that he would be ok with that but this is like the national deficit. Someday someone is going to have to pay for this. We may have to come up in a couple years.

President Decker asked Mr. Hirschfeld why is it that if the County or the State corrects our values one year, it goes back into the next years roll at our value, not the State's value? Mr. Hirschfeld stated that the value that is protested at the County and State Board of Equalization is for the current valuation year. Each one of those Boards will take a look at that property and adjust it as they see fit based on whatever information they have and then agree with the value set by this Board or the previous Board or they set their own, but it is always for that single year. The State then sends out a letter with a caveat to review the market and adjust accordingly. President Decker stated that every year we have the same properties go back and forth and every year you have to battle over these same properties and the State adjusts it year after year. President Decker feels that if the State thinks this is what the value is of this property then let's go with it. They ultimately make the decision. Mr. Hirschfeld stated that with one of the properties from the previous year to the current year the income had doubled. Going strictly off of what their adjustment was based off of the income and the cap rate, if the income goes up the value goes up automatically. The other part of that is when they make their adjustment, I make the request from every Board who changes it to help me correct this property record card so we don't have to do this again instead of giving me your own value so we don't have to come back here and do it again. If you want me to throw 25% obsolescence on it permanently, I'd be willing to do that. They always return the value but they never return the corrected property record card. So, the next year comes and we're back to the decision that this Board made. After some discussion, President Decker recommended that when you finalize this roll, any values placed upon our properties by the State that is what the values should start at for this year if the Commissioners agree with that. Mr. Steiner stated that some of these apartments that are being protested want us to adjust the value based on the income approach. Mr. Steiner has a problem with that because there is a structure there. We are being asked to lower the value a tremendous amount based on the income. That is not fair to the other business owners in town. President Decker stated that his point is not on how we figure our assessment values. His point is that we are creating extra work for ourselves because the State has said this is what the value is. We need to just start at that point. If there is an increase, it goes from the State's level. President Decker also said that there is precedence right now with the North Dakota Supreme Court about not evicting people from any rental properties. He guaranties that next year rental property owners will be coming in complaining that they lost income because of the ruling by the North Dakota Supreme Court. Ms. Wenko stated that the Governor, in addition to the North Dakota Supreme Court, did issue an order halting all residential evictions so we will be dealing with that, but that is the law of the land until it otherwise changes. President Decker stated that we will be going through this viscous cycle again chasing what these properties are actually making. At least let's start with those properties at values that were given outside of this Board of Equalization.

President Decker commented that he sees that some of the protesters are ok with the explanation letter that was sent out to them.

Ms. Trustem directed a question to Ms. Wenko, Ms. Trustem looked at Century Code 57-02-11 which Mr. Hirschfeld referenced for our tolerance. Ms. Trustem does not see that anywhere in the Century Code. With last years valuations it puts us at 87% of true & full value which in turn led us to the increase in 2020 valuations. If we are complying with State law in increasing those, where is that identified here in 57-02-11 because I am not seeing it. Mr. Hirschfeld stated that within 57-02-11, it leaves direction from the State Board of Equalization set the tolerance for each year. The tolerance itself isn't set in statue but the directive is given to the State Equalization Board, President Decker stated so we are sighting Century Code but it is not Century Code? Ms. Wenko explained that the reason it is structured that way in the Century Code is so that you do not have to go back in and amend the Century Code every time that a number may change. So, what they say is they are going to give this Board the authority to make that adjustment to that is how the Century Code is drafted. If the Board makes an adjustment there isn't a specific number that's identified. When that number changes it would require a change to the statue of the Century Code.

Ms. Trustem asked Mr. Hirschfeld if there is a precedence from the State Board of Equalization that looks at some of these communities that are under tolerance and adjusts them to be within tolerance? Mr. Hirschfeld stated there is precedence both ways. He has, on multiple occasions, seen the State Board increase property values where the local jurisdiction didn't and when they raised them, they didn't raise them to 90%, they raised them to 93%. Whether you want to call it punitive or what, 93% out of 100 is not that high but they do bring it up within tolerance. There have been a few occasions especially in a steep downturn where there have been some jurisdictions who were able to support being below tolerance because of decrease in values. Some were allowed to remain under tolerance and some they would increase. If you are asking for my opinion, in this market we have less of a sure footing to come in under market because the market has been positive but the State Board will make its own decision just as President Decker stated. They will do what they wish depending on the circumstances.

Ms. Trustem stated that she thinks our community is looking for assistance here this time and knowing that if we make that decision today, we will have to make that up at some point. So, if we are not increasing property values at this time, that may mean a higher percentage increase in the years to come. President Decker agreed and stated that more than the COVID, the oil is way more impactful than what this virus is doing and with the oil prices at \$20-25 per barrel, that is going to have far more reaching impact to our community than any virus. Yes, there may be some businesses that close because they weren't open because of the virus, but there are many service industry places that are going to go out of business because there will be no work. Whiting has filed for bankruptcy. I can see others heading that way. That is going to have a far more reaching effect just in southwest North Dakota and western North Dakota than this virus is. If we stay at the 90%, make that adjustment, also make the adjustment with whatever properties that were adjusted by the State or the County so that we are not relitigating this basically, going to argue with them again and spending days and days of your staff time that could be spent looking at properties here that we may have missed. There was much discussion. Ms. Trustem suggested staying consistent with last years values and take that chance at the State. President Decker said the only caveat to Ms. Trustem's suggestion would be to adjust the properties that were changed by the County and State back to where the State put them. Ms. Trustem reported that she did contact the State Tax Department asking for guidance how to better handle these situations so that when they come before the State Board of Equalization we are closer to what their expectations are. The lady that Ms. Trustem talked to at the State said that what Joe is doing it right, But at the end of the day it is the State Board of Equalization that makes the decisions. President Decker stated that we are spending valuable man hours fighting a battle that we are not

going to win. Mr. Steiner stated that the State has not changed 100% of the properties and President Decker said no but Mr. Hirschfeld is fighting over the same properties every year, He also stated that we handle most of this stuff locally. He asked Mr. Hirschfeld if it is rare that a house ever makes it up to the State? Mr. Hirschfeld said that is correct and the reason for that is the dollar amount that is involved. You are talking maybe a \$50,000 return in your investment to fight a large apartment complex versus a property owner who might get \$20 or \$30 back. Present Decker again states that we are fighting the same battle over and over. He talked about the abatements this year. We made a decision and the County made a totally different decision. He is not opposed to Ms. Trustem's recommendation of holding the 2019 values. To Mr. Carson's point, there is going to be an adjustment or we seriously look at scaling back a lot of what we are doing. Right now, our oil income is fairly close. We are not taking as big a hit as the rest of the State. We will probably take about \$2 million less per year in oil revenue. We may have to look at putting some of our projects on hold for a while. Those are decisions we will have to make in the budget process. The staff is doing an amazing job working under these circumstances right now. We may have to not hire people or not fill positions when people exit. We are going to have to tighten our belt.

Mr. Fridrich asked what the process is. Are we still going to have to hear all of these even if we go back to the 2019 values? Mr. Gaa stated that whatever decisions you make, whatever you adjust the values to, whatever percentage you pick I don't think you can be wrong. Agreeing to go with last year's state values if anything was appealed, I think that is fine, but then not hear anything else and let the Assessor's office have the opportunity to advise everyone that these are your new values, If they still want to appeal we can do that. You will just table this meeting to a future date. This probably doesn't take care of all of them but it narrows the list way down. President Decker asked if we can get a new letter out to everyone. Mr. Hirschfeld stated that yes with the caveat that depending on the direction that you give me the workload may be such that we can't get it done in a timely manner. Present Decker said you can basically just print out last years value and make adjustments to whatever the State ones were, correct? Mr.

Hirschfeld responded that if we are going off of last years values we are talking about decreasing the 10% to structure that we placed on everything. There was much discussion to clarify what the Board was asking of Mr. Hirschfeld. Mr. Hirschfeld said if understand this correctly, we are backing off the 10% to structure that we added and putting the parcels that the State and County changed back to where they put them. Mr. Hirschfeld was directed to send the letters out to all the citizens again along with a cover letter that this is the determination of the Board of Equalization. President Decker asked Mr. Hirschfeld if he needs any clarification. Mr.

Hirschfeld responded, yes, upon sending out the letters, do we give them 2 weeks from the mailing date to contact us? President Decker said he thinks that would be sufficient. Mr. .

Hirschfeld said that as quickly as we can see a light at the end of the tunnel to complete that work, we will set up a new Board meeting. Ms. Trustem directed a question at Ms. Carlson. What percentage of our City budget is property taxes? Mrs. Carlson thought about 30%. She did some fast math and with the values that Mr. Hirschfeld came up with for 2020 and with the current mills, we will have about \$1.7 million less in property tax dollars for the budget of next year. Ms. Trustem stated that she thinks it is important to start considering this now as that loss will not be made up from another source. Ms. Carlson said it will either have to be made up for property tax relief out of another source which is sales tax. President Decker stated that is a discussion we need to have outside of this Board if we initiate something like that which is within our authority. Mr. Steiner stated that not only the City reducing \$1.7 million but now the County, school district, park district is going to have a shortfall. We will have to make up for it somewhere. President Decker stated that we do have some additional funds

for emergency that we can tap. But there are items that maybe will go on the back burner, We have to keep essential services running. We have to keep our employees taken care of and make sure that the health, welfare and safety of all our citizens of Dickinson are taken care of. That is primary to our mission.

6. President Decker stated that we have allowed for the aggrieved to get with Mr. Hirschfeld's department. So, with the new assessment being sent out, we will allow for another 2-week period. We want to make sure that we are compliant in getting these rolls to the County. Mr. Hirschfeld stated that the County wants the information rolled over to them by the middle of May. That gives them about 2 or 2 h weeks to get it uploaded into their system and allow them to prepare their final values for their Board.
7. President Decker asked if there is any real property subject to taxation which has been omitted by the owner or the Assessor. Mr. Hirschfeld stated that there is none at this time.

City Attorney Wenko stated that the City should make a motion that encompasses the direction that you have given Mr. Hirschfeld.

Ms. Trustem made the motion, based on the current commodity, economic and pandemic crisis plaguing this community and our country I move that the Dickinson City Commission take off the 10% structure adjustment that was made to the 2020 values and we in turn will use the 2019 valuations with the exception of the structures that were reassessed by the Department this year as well as the adjustments that were made to the properties by the County and the State Board. In doing so, would your Department please go back and correct those values, send out a notice to our community of their new valuations for 2020 and give them that 2-week appeal process so that we can hear those appeals once that is done.

MOTION BY: Sarah Trustem SECOND BY: Carson Steiner

DISPOSITION: Roll Call vote, Aye 5, Nay 0, Absent 0

Motion declared duly passed.

President Decker is looking for a motion to adjourn.

MOTION BY: Carson Steiner SECOND BY: Sarah Trustem

MEETING ADJOURNED AT 10:10 AM.

DICKINSON CITY BOARD OF
EQUALIZATION
CONTINUATION MEETING
MAY 19, 2020

1. CALL TO ORDER

President Scott Decker called the meeting to order at 6:00 PM.

11. ROLL CALL

Present were: President Scott Decker, Vice President Jason Fridrich,
Commissioners Nikki Wolla, Carson Steiner and Sarah Trustem.

Telephone: None

Absent: None

1. CALL MEETING TO ORDER

The meeting was called to order at 6:00 PM.

2. AFTER THE MEETING HAS BEEN DULY OPENED

The Chairperson should ask if the work of the local Assessor has been completed and all assessments entered in the assessment roll.

City Assessor Joe Hirschfeld reported that the Assessing Department has adjusted the values as per the directive of the Board and we have updated that roll.

3. ASSESSOR'S REPORT

City Assessor Joe Hirschfeld gave his report to the Commission. After the adjustment, our 2020 commercial values now stand at \$1,089,351,944 and residential values are now at \$1,462,807,800 for a total true and full valuation of \$2,552,159,744. This is up slightly from the previous year.

New Construction is up for 2020 at \$28,050,400 for commercial and \$26,398,900 for residential. Taxable value for 2020 is \$120,293,948. That is the figure that the mills will be calculated against. That is up slightly from 2019. Sales ratio for 2020 is 87.2% for commercial and residential is 87.1%. Following the directive of the Board our adjusted ratio currently stands at 87% for both commercial and residential.

2610-0400-0900 to \$ 1,000; 2610-0400-1000 to \$ 1,000; 2610-0500-0100 to \$ 20,500
2610-0500-0200 to \$ 8 00; 2610-0600-0100 to \$ 1,700; 2610-1400-1800 to \$ 1,400 2610-
1500-0100 to \$ 11,200 and 2610-1500-0200 to \$ 8,000.

DISPOSITION: Roll call vote... Aye 5, Nay 0, Absent 0
Motion declared duly passed

Deputy City Administrator Linda Carlson reads the summarization report for the Market Place which is located at 3275 West Ridge Drive.

President Decker gives the 4 choices for a motion.

City Assessor Joe Hirschfeld states their valuation was based entirely on the income approach and the cap rate they felt was necessary for this property. In doing so their vacancy is really high so their income is what it is. He states much of the building is not finished which is why we reduced the value before. In calculating the income approach the way they did it is essentially saying there is value in that part of the building that is being leased and they are giving no value to the rest of it. With the cost approach we've recognized some depreciation and obsolescence on that part that is not finished and that there is some value to that. Mr. Hirschfeld states that if that is all this property is worth and they couldn't get more than this on the open market, then the highest and best use is maybe to turn it back into a vacant site as vacant lots are being sold for more than what their request is on a per square foot basis.

Commissioner Jason Fridrich states the concrete alone is three times what they have on the land value. There is more than \$100,000 worth of concrete in that area. Commissioner Jason Fridrich states this is not the market rate.

MOTION BY: Sarah Trustem

SECONDED BY: Nikki Wolla

To approve the recommendation of the City Assessor for the 2020 valuation on 3275 West Ridge Drive to match the 2020 valuation of \$3,456,300.

DISPOSITION: Roll call vote. ...Aye 5, Nay 0, Absent 0 Motion
declared duly passed

5. THE BOARD OF EQUIALIZATION

6. DURING THE SESSION

1. Riley and Michelle Kuntz Property — 238 5th Avenue West (Incorrectly stated as 110 14th Street west)

Deputy City Administrator Linda Carlson reads the Kuntz briefing statement. The property address is 238 5th Avenue West. She states the Assessing Department recommends no change for the valuation.

Commissioner Sarah Trustem asked if we know what years these property sales happened that you have listed under the staff recommendation.

City Assessor Joe Hirschfeld states these are active listings provided by the property owner. They would not have been included in our analysis. It was probably the intent of the property owner to show that properties aren't selling for what they are listed at and that there is a decreasing market. I did not remove these properties and placed these properties in the comparison.

Mr. Riley Kuntz, homeowner, believes that the Commission should have the information that he provided and he is going to rest on that information unless the Board has any questions.

Commissioner Sarah Trustem states that Mr. Kuntz says they do not have 3 bedrooms as the basement bedroom does not comply with code and cannot legally be classified as a bedroom. Is that correct?

City Assessor Joe Hirschfeld states he would have to visit the property again to be certain, We visited the property and found it to be accurate when we were there. If we missed something like that then we could certainly correct it. In the big scheme of things, that plays no part in the valuation. It is just a listing of the room count, Commissioner Carson Steiner states the City is right where they should be on this property.

MOTION BY: Carson Steiner SECONDED BY: Jason Fridrich To deny the abatement request for 238 5th Avenue West; Dickinson, ND to keep at \$215,800.

DISPOSITION: Roll call vote... Aye 5, Nay 0, Absent 0
Motion declared duly passed

President Scott Decker states this recommendation will be forwarded to the County.

2. Halliburton -270 34th Street West

Deputy City Administrator Linda Carlson reads the briefing statement. Staff recommends no change to the valuation of this property.

Ms. Kimberly King, Tax Specialist from Halliburton states based on her conversations with Mr. Hirschfeld, his valuation primarily consisted of looking at the cost approach. I reviewed the 2019 Dickinson commercial sales provided to me by the Assessor's Office as well as some industrial warehouse comps that were provided to us by our broker. I was able to identify several metal warehouses. These properties were built between 1980 and 2014 and they range in size up to 19,000 sq ft and were sold in 2018 and 2019. She also found a property that is listed for sale currently on Sims Street. She put quite a bit of weight on this comp because the layout of the property is very similar to our subject. It has some of the same amenities. It is currently listed for \$81 per sq ft. Another property in Minot was put on the market in March at \$53 per sq ft and it is a 56,000 sq ft property, multiwarehouse,

same set-up. She is asking that the Commission consider that property even though it was listed after the assessment date. It is a good indication of what their properties are selling for. Minot did decrease their property by 30%. They also looked at the cost approach since that is what the Assessor is valuing the property on. She used Marshall and Swift for metal industrial warehouses, metal shops and metal office buildings. They could not get Mr. Hirschfeld to agree to apply economic obsolescence to our buildings and improvements. She believes that due to the fact that this property was vacated in December of 2019 and has not been fully utilized since 2016 she felt it is necessary to apply some economic obsolescence since this is a special use property that was designed specifically for an oil field service company. Based on some conversations I have had with several brokers in the area I learned that construction costs are around \$200 per sq ft and that means with our current valuation of \$20 million, essentially, we are paying 90-95% of new construction cost price for our facility. She says this seems a little bit unreasonable based on the actual warehouse sales. It is going to be challenging for us to find an interested buyer and we will more than likely have to discount our price. We feel our opinion of value is more indicative of market value.

City Assessor Joe Hirschfeld states the information that she was referring to came to us late so you do not have all of that in front of you. This is a real difficult property to discuss at this period of time as we understand what is going on with the oil industry right now, but try to remember to go back a year and after this year in essence we are going back 2 years. The sales they are referring to are from 2019, however, we are going back to the 2019 values which is 2018 sales. How do we consider all this information and moving forward with the cost approach, I would like to sit down and visit with them to see how they developed this. City Assessor Hirschfeld states one thing that jumped out at him was that the shop building has two floors and they only valued one floor because it is designed similar to a shop building. The Halliburton building is not the most aesthetically pleasing building. City Assessor Joe Hirschfeld states when we developed our value, to try and keep it lower, we built it as a shop with one floor and 2nd floor office mezzanine. That was not picked up by the Halliburton rep. There could be small things like that that may have led their value to be lower than what it should be. He feels that this value may have come from Marshall and Swift. City Assessor Joe Hirschfeld will sit down and review the valuation of their building for next year as he is assuming there are going to be some major decreases in values certainly in this sector.

President Scott Decker provides three motion options for the Commissioners.

Commissioner Carson Steiner asked Mr. Hirschfeld if he used any numbers from Marshall and Swift.

City Assessor Joe Hirschfeld states Marshall and Swift is a well renowned book that is used for the cost approach. City Assessor Joe Hirschfeld uses Vanguard's own cost manual and doing so it is developed and fine-tuned specifically to the Dickinson market place.

Commissioner Carson Steiner states he has used Marshal and Swift in his business and has always had a hard time to get the value from Marshal and Swift that they paid for their property. Commissioner Carson Steiner states he has always struggled with this information. Marshal and Swift is really on the low side. Commission Carson Steiner would have a tough time this year to take the abatement down to \$8,700,000.

MOTION BY: Carson Steiner SECONDED BY: Sarah Trustem To follow the 2020 True and Full Valuation for Halliburton.

DISPOSITION: Roll call vote... Aye 5, Nay 0, Absent 0
Motion declared duly passed

President Scott Decker states this recommendation will be forwarded to the County.

3. EVI Dickinson

Deputy City Administrator Linda Carlson reads the EVI Briefing Statement. The address of this property is 617 Cottage Lane/ 1294 Signal Butte. This property was sold as a distressed sale. Foreclosure indicates that the court set a value estimate of \$15,400,000. The statement states the City Assessor Joe Hirschfeld feels these values were for improvements only and does not include the value of the land. He states this property historically has gone without value as an exempt property, which no longer applies. Due to the COVID 19 virus the property was not physically inspected and certain items were estimated based upon interviews of management and prior non-official visits to the property by the Assessor. The staff recommends no change to the value.

Mr. Robert McRae is the representative from EVI. Mr. McRae states this is a senior living facility and a lot of assisted living. It is resident patient care. It is very risky. The prior owner was Dickinson State Foundation which went through some severe legal/reputational issues and was dissolved by the ND Attorney General. Mr. McRae states they saw an opportunity to make some changes and put their style on and thought it would be a good investment. They bought the property in June of 2017 for \$13,800,000. Mr. McRae states they spend \$1,600,000 a year on staff at this facility. He states about 40-60% of the value of the facility is allocated to the services that they offer and the balance is to the real estate. A big component of the \$ 13,800,000 that they paid for it is for the business and that is what Mr. McRae is asking for today. He believes the real estate portion is about \$9 million, which is about 65% of the purchase price. Mr. McRae discusses the income for the property. He states this property has not performed. There are so many scars on this property. Mr. McRae states they have overestimated what they thought they could do with this property. The cap rate study shows that the prevailing cap rate is 7.3% for these kinds of properties and this is a concern. He presents the Marshal and Swift cost approach and came up with \$4,848,000 for the main assisted living portion of the property and we added that to what was already there which was \$5,256,300 and we came up with a value via the cost approach of a little over \$10 million. He feels the cost approach is the least reliable. It doesn't really encompass

the economic obsolescence associated with the facility. In closing, this facility was purchased with many blemishes. The property was mismanaged, run down and has a terrible reputation. We bought this property to correct the problems. We have come to realize that it will take many years to accomplish this. The economic issues that we are having are very different than what our competition is having here in the market. We request from the Board that the value be reduced to \$9 million for the property.

Commissioner Jason Fridrich asks in 2019 how was the \$5,256,000 value.

City Assessor Joe Hirschfeld states the value was the land value as well as the value of the cottages.

President Scott Decker presents the options for a motion with the property.

Commissioner Carson Steiner addresses Mr. McRae asking if he is correct that Marshal and Swift states the total cost is \$4,848,000? Mr. McRae states that that is correct. Commissioner Carson Steiner says that is half lower than what you are requesting. Mr. McRae states it was \$5,286,000 originally so they are adding the \$4,848,000 to the \$5,286,000. Commissioner Carson Steiner states to the Board that this is the issue with Marshal and Swift. Mr. McRae states that Marshall and Swift does not capture the economic issues that they are having.

City Assessor Joe Hirschfeld states this is a complex property with COVID 19 and not being able to get into it and the time frame and trying to review their financials made it very difficult for us to come to an agreement. City Assessor Joe Hirschfeld will continue to try to work with Mr. McRae. We followed the cost approach. It is the method we use. It has been tested in the courts. We did the same thing for this property that we have for the other retirement homes and assisted living that we have in Dickinson. We are equitable with those properties. I don't get any income data from that part of the market to be able to refute or support what Mr. McRae says. I am just going back to relying on what we have and that is our cost approach.

Mr. McRae states he has supplied the income approach and he feels the cost approach does not capture the problems we are having with that property.

Commissioner Carson Steiner does not give 100% to income approach. This is not fair to small business owners or any business owner outside of this type of institution, based on income they cannot come in and say I had a bad year therefore my value should be this. Mr. McRae states this is not just one year. We bought a property with some serious issues, and a very low margin business and with all kinds of risk. This is not a one year abatement that we are asking for. We are doing everything we can to make this work and in a couple of years if we want to re-visit the income statement and it looks a lot better, we are more than happy to except a much higher value and pay a lot more in tax, but right now we are in an

economic hole that is just killing us. He states the money they are putting into this asset is phenomenal. To have the taxes go up that much is like rubbing more salt in the wound. If we can get this thing going and get it on its feet we are happy to work with Dickinson City and get this thing to where it is producing some good tax for you.

City Assessor Joe Hirschfeld states that we did not go through the properties again as this was reviewed in previous years by Jeremy Farar and he did not notice any of those issues. It is in a pan of town where if there was a large rain they may have had some moisture in there. We have those issues across town. That plays into the value because of the location of how we value those cottages. Mr. Hirschfeld would like to go through the properties myself and see how it has affected them, but I have to rely on what Iny property appraiser saw at the time and see how the market has reacted since that valuation period.

Commissioner Carson Steiner states the net income with cap rate they come up with was \$10,274,000 and they are requesting \$9 million. Commissioner Carson Steiner asks if the City could work some numbers to where we can accept using their cap rate of 10.274 and the 14 that we are at. Granted, you didn't get a chance to go in and look at it but you are looking for something tonight aren't you?

City Assessor Joe Hirschfeld states regarding this property type and the cap rates, I have no data to support a cap rate. Other property owners are coming in stating they need a 9 or 10% and the market is at a 5.

Commissioner Carson Steiner feels others will want the same treatment. Mr. Steiner does not know if the 14 is fail' but does not know if this is fair on either side.

Commissioner Jason Fridrich states \$10 million is similar to Marshal and Swift.

Commissioners Carson Steiner states he would recommend \$11 , 500,000 and have City Assessor Joe Hirschfeld meet with them in regards to next years numbers.

Commissioner Jason Fridrich is comfortable with this number.

MOTION BY: Carson Steiner SECONDED BY: Jason Fridrich To change the valuation to \$11 500,000 and will go forward to the County.

DISPOSITION: Roll call vote. . . Aye 5, Nay 0, Absent 0
 Motion declared duly passed

4. Lamont Properties

Deputy City Administrator Linda Carlson presents the sununarization of the properties for Lamont Properties.

Mr. Dillon Freudenthal from Lamont Properties gives his information. The first page of his packet gives the building sq ft, parcel # and year built. He wants to focus on the TownePlace because it is a direct competitor of Lamont Properties, On the second page he wants to mostly focus on the building value per sq ft and the property tax per sq ft. Going by building per sq ft we are assessed at \$40 per sq ft where the My Place, TownePlace, LaQuinta is mid 30's. We should be around the TownePlace, especially because they are 3 years newer. Also, the TownePlace is a Marriott brand, not as nice as the Hilton. with way more amenities. Joe mentioned that the pool is a little bit bigger. He is requesting that the City bring their property down to \$2,345,000 as this would bring the Lamont properties down to the same as TownePlace with building value per sq ft,

Commissioner Jason Fridrich asked City Assessor Joe Hirschfeld if we have a room count difference? It is Mr. Fridrich's understanding that the TownePlace is an extended stay so they all have kitchenettes compared to the Hampton which is just a regular hotel. That was confirmed by City Assessor Joe Hirschfeld and Mr. Freudenthal. Commissioner Jason Fridrich is wondering how much value a portico adds. City Assessor Joe Hirschfeld states it adds to the cost to construct that building. How much it adds to room rates, I couldn't tell you that specifically. When we talk about an extended stay, they have kitchenettes but the appliances are considered personal property and they are not items that we pick up as a cost. Commissioner Jason Fridrich asked Mr. Freudenthal if the ADR would be comparable to the TownePlace or higher. Mr. Freudenthal said it would be comparable. That is their direct competitor and that is all he is asking that per sq ft be compared to the TownePlace even though the TownePlace is 3 years newer and they are technically a nicer brand he is willing to compromise just being evenly assessed with them right now. City Assessor Joe Hirschfeld stated that in our valuation the big difference is that there is almost a \$3 per sq ft difference in our cost to rebuild the TownePlace compared to the Hampton. The building is 10 foot longer. This does add a lot of space to the property and that is where the big difference is in the valuation.

President Scott Decker states there are obvious differences between the buildings and does not feel that the City is out of line.

Commissioner Jason Fridrich states it is almost 20,000 sq ft bigger and we are \$300,000 difference in valuation. He states 20,000 sq ft is more than \$300,000.

City Assessor Joe Hirschfeld states some small things don't jump out at you right away when reviewing this property. Assessor Joe Hirschfeld went through the Hampton Inn with the property manager. The card was accurate. I put the two cards side-by-side. They are both a grade 3 property so their base cost is exactly the same. If there isn't enough separation in the value it is not because the Hampton is inaccurate, maybe I need to go back through the TownePlace and perhaps add more value to it.

President Scott Decker provides three options for the Commissioners.

MOTION BY: Jason Fridrich
To change the value to \$2,500,000,

SECONDED BY: Sarah Trustem

DISPOSITION: Roll call vote... Aye 5, Nay 0, Absent 0
Motion declared duly passed

President Scott Decker states this information will be forwarded to the County Board of Equalization.

5. FW Townhomes, LLC

Deputy City Administrator Linda Carlson presents the summarization of the properties for FW Townhomes, LLC. These are shop buildings. This property is on the corner of 4th and 26th. There are seven units in two buildings. Staff recommends no change at this time but are expecting to make changes to this entire class of properties for 2021.

Commissioner Carson Steiner states three of the seven units are vacant. This is going to be a big problem if things don't change. Somewhere along the line this has to be figured out to help the cities along, They built these buildings and the City built streets to them, they built infrastructure and that is how we got the taxes based on cost. Commissioner Carson Steiner struggles adjusting some of these as the cost has been put up by the citizens. They paid for it and now when things turn down they are looking at ways to reduce their expenses, but at the expense of whom. We are going to need some help from someone to figure this out.

President Scott Decker stated that this is going to be key who we bring in as a City Administrator. When we go to the legislature next year that is going to be a huge task ahead. We are going to need some relief especially out here because we are getting a triple whammy right now.

Commissioner Jason Fridrich asked what the normal cap rate is for a business like this. He asked City Assessor Joe Hirschfeld to use metal buildings. City Assessor Joe Hirschfeld states that he does not get the information on those, although in the Hallibulton packet that came in late there is a very similar property to this one that is listed that is 100% occupied. He doesn't know what the rents are but it would be real interesting to see what the cap rate would come back as. Commissioner Jason Fridrich asked what the industry is? Assessor Joe Hirschfeld stated he doesn't have that data on those because as soon as you start getting the information from when we had the down-turn then it shifted and they started filling back up again so there is never good solid information. The best I have is apartments which is 5.5%.

Commissioner Jason Fridrich states no one is building expecting a 11% return and this is high. Commissioner Jason Fridrich states in a lot of these situations, the developer built streets and water and sold the lot and built the building and we take over and we have to maintain the streets. With this market right now, I would like to know what an appraiser

would say the cap rate is on a steel building like this. Commissioner Fridrich states he knows it is not 11.

MOTION BY: Carson Steiner SECONDED BY: Jason Fridrich To deny the change of valuation and keep it at \$2,754,700.

DISPOSITION: Roll call vote... Aye 5, Nay 0, Absent 0
Motion declared duly passed

Commissioner Jason Fridrich questions what the obsolescence rate is on buildings like this that sit empty for years.

City Assessor Joe Hirschfeld states it depends. Halliburton fits this as does the grocery store, old Family Fare, I question the owners as to what their intent is for the property. Is it going to be put on the market? They stated they are going to hold on to it until Dickinson gets big enough and then they will move back into it. If they are holding the property it is hard to put added obsolescence on it. If it is out there on the market and actively being marketed and properties are not selling, then you have to start thinking about putting heavy economic obsolescence on them as we did for hotels. We have 80% economic obsolescence on them right now. This class of properties is going to fit into that here in the next few years if things don't come back.

Commissioner Jason Fridrich states we are going to start running into these types of situations a lot in the future. We have buildings now that are fairly new that have never had a tenant. If they are marketing them to lease and they never get a tenant, what is the value of it. Obviously if they are not renting, they are not going to sell it.

City Assessor Joe Hirschfeld states that is where more data would be nice. When they are reporting 40% vacancy and 2 blocks away there is one very similar to it that is 100% occupied, so are the asking rents too high? Commissioner Jason Fridrich asks, are they comparable? Mr. Hirschfeld states, very comparable. They are renting to the same type of businesses, both oil field services. President Scott Decker states there could be no more customers to rent to if everyone is leaving town. City Assessor Joe Hirschfeld states in the current market, certainly, but if you go back 18 months, if they are sitting at 40% and everyone else is 85, 90 or 100% then that lets you know that there is something in the management that is affecting it where maybe different management would have a different vacancy.

7. NO REDUCTION AFTER SESSION OF BOARD

8. EXEMPTION APPLICATION

A. Real Estate Exemptions:

City Assessor Joe Hirschfeld provides a list that will be filed for exemption of improvements to residential or commercial building.

MOTION BY: Sarah Trustem SECONDED BY: Nikki Wolla To approve exemptions as listed.

DISPOSITION: Roll call vote. ..Aye 5, Nay 0, Absent 0 Motion declared duly passed

9. ADJOURNMENT

MOTION BY: Sarah Trustem SECONDED BY: Jason Fridrich Adjournment of the meeting having completed equalization at approximately 7:30 P.M.

DISPOSITION: Roll call vote... Aye 5, Nay 0, Absent 0 Motion declared duly passed.

OFFICIAL MINUTES PREPARED BY:

Rita Binstock, Assistant to City Administrator

APPROVED BY:

Linda Carlson, Deputy City Administrator

Scott Decker, President
Board of City Commissioners

Date: _____ July 20, 2020 _____