

I. CALL TO ORDER

President Scott Decker called the meeting to order at 4:30 pm

II. ROLL CALL

Present were: President Scott Decker, Jason Fridrich, Nikki Wolla, John Odermann, and Suzi Sobolik, Brian Winningham, Joe Hirschfeld

1. Jefferson Creek and Lincoln Meadows Apartments

President Decker starts meeting with first item up the abatement hearing for 2019, 2020, and 2021. City Assessor Mr. Hirschfeld starts by stating in the audience is Mr. David Tibbals, the representative for Jefferson Creek Apartments and Lincoln Apartments. Mr. Hirschfeld states he is not sure if council for the Homstay is on the line or not; but did talk to them today and stated they were going to get dialed in. Mr. Hirschfeld goes on to remind commissioners that sat in their positions back in 2019; that we had Vanguard do a market re-evaluation. Mr. Hirschfeld states the assumption was the property characteristics were accurate and the review of the market change that occurred in Dickinson since the boom through the bust cycle. Mr. Hirschfeld states that all the properties before us today or prior to the date, there wasn't anybody commenting that they were concerned with how the properties were being represented and more of the income generation through the market that was the concern. Mr. Hirschfeld goes on to explain in 2019 Mr. Bob Ehler provided the valuation summary that was provided for setting the values for all the commercial properties. Mr. Hirschfeld explains that apartments were given economic obsolescence along with hotels because they weren't generating the revenue; which was significantly lower than the cost to build the properties. Mr. Hirschfeld stated nobody contended values in 2019 but here we are today. President Decker asks if there are any questions from Mr. Hirschfeld before hearing from representation? President Decker stated there are no questions so he invites representation for the properties. Mr. Tibbals states he is representing the Jefferson and Lincoln Apartments for the applications of 2019, 2020, and 2021. Mr. Tibbals starts off by stating that he was just made aware this morning that the commissioners do not have all the supporting data that the tax payers had provided, which was back in October. Mr. Tibbals states in this situation that other Cities have tabled to another meeting the discussions which is his recommendation until all the data can be reviewed. President Decker asks Mr. Tibbals if this information was provided to Mr. Hirschfeld? Mr. Tibbals states that it had been provided. He states they had provided the information through a shared file web link back in October and also to the County Auditor. President Decker asks Mr. Hirschfeld if any of that information is in the documentation that we have. Mr. Hirschfeld states he did utilize the information from the shared file that Mr. Tibbals provided and anything he provided was used from their specific income and did not reconstruction anything. Mr. Hirschfeld states that he is not sure what would be missing from the spreadsheet that was provided. Mr. Hirschfeld states he asked for the market data to help support their cap rate to their gross income multiplier and he doesn't recall that information being in the shared file or received in the last 90 days or the last three years since 2019. Mr. Hirschfeld states it's up to the commission to table this to wait for additional information or if Mr. Tibbals is comfortable to move forward with his spreadsheet that he provided. Mr. Tibbals states

he was not informed that Mr. Hirschfeld had any trouble accessing that information and that its important to have that information based on all the evidence and to propose to table the discussion. Mr. Odermann asks Mr. Tibbals what information would be missing from the spreadsheet that he provided to the commission that he feels would sway their decision one way or another? Mr. Tibbals states there is about one hundred pages of financial data showing the gross income, the vacancies, and collection loss for 2019. Mr. Odermann asks if the numbers on the spreadsheet unfairly summarize the one hundred pages of data? Mr. Tibbals talks about the calculations and states these are property specific numbers and asks if the commission trusts that the numbers are coming from actual financial statements. Mr. Odermann states he feels it's a strange request. He asks Mr. Tibbals if the spreadsheet data was provided by him; then why we would need those one hundred pages of supportive data? Mr. Tibbals states data that was provided, the commissioners do not have those several PDFs of information and goes on to explain the calculations to figure out the information on the spreadsheet. Mr. Hirschfeld states he has no problem using the information that was provided on the spreadsheet. He goes onto explain the gross income multiplier and states the income data provided supports what Vanguard came up with for value. Mr. Hirschfeld feels all the information needed has been provided and is comfortable with moving forward. Mr. Tibbals states there is data that supports the actual evidence and wants to make sure that the commission has all that information. Mr. Odermann asks Mr. Tibbals if his property was on the market, he'd accept \$2,181,000 for it? Mr. Tibbals asks Mr. Hirschfeld if he thinks that the \$4,000,000 is the number that it would sell for? Mr. Hirschfeld states as of February 1st, 2019 that Vanguard came up with a value of the property as \$4,284,700. Mr. Hirschfeld states based upon the data he has come up with, suggests that even \$4,700,000 might be a good market value based off gross income multiplier. Mr. Odermann states to Mr. Tibbals that he did not answer his question? Mr. Tibbals goes on to state they stand by that valuation as a valid estimation of the market value. Mr. Tibbals states if they get into substance that he wants the opportunity to provide his comments. Mr. Odermann asks Mr. Tibbals what are they basing the calculation on? Mr. Tibbals states the data that was provided on October 26th. Mr. Odermann asks Mr. Tibbals on the spreadsheet provided, how are you calculating that number? Mr. Tibbals states you can see how's its being calculated and says he can walk the commissioners through that if they get into substance, but wants to know if they are making that decision tonight or is the meeting being tabled? Ms. Wolla asks Mr. Tibbals if he'd be more comfortable to send that information now and walk us through that, instead of tabling this and rescheduling for another day? Mr. Tibbals states he can do that but feels they don't have the opportunity to really digest it. Mr. Odermann asks Mr. Tibbals if we reschedule this for three months; is that going to be your response, that you don't know if we had enough time? You provided the information on the spreadsheet, so why can't you tell us how this was calculated and we don't need one hundred pages of data. Mr. Tibbals states he can walk the commissioners through it and goes on to explain the different types of approaches. He talks about how Mr. Hirschfeld used the cost approach and not disputing that, but discussed how the income approach is used for apartments, etc. He noted no one approach is wrong. He also goes into calculations and explaining the information of spreadsheet provided. President Decker asks how expansive is that footprint of that base rate? Mr. Tibbals states Upper Midwest, Montana, North Dakota, some of South Dakota, and doesn't think Minnesota; not just Dickinson. He goes on to state that his hope was to have an open discussion with Mr. Hirschfeld's office. Mr. Fridrich states Mr. Tibbals is providing cap rate but not

willing to provide evidence. Mr. Tibbals states they provided property specific data and actual numbers. Mr. Fridrich goes on to state a quick google search; apartment buildings in the United States sell for about a 7 % cap rate currently and has fluctuated to between 6 ½ and 7 ½ % for the last ten years. Mr. Tibbals says to put that number in the spreadsheet. Mr. Hirschfeld states that would be a loaded cap rate so you'd need to pull the 1.22 which would put it at 5. Mr. Fridrich says let's just leave it at the base rate and see what happens. Mr. Odermann states he thinks it's interesting that when Mr. Tibbals first came in and started talking, that Mr. Tibbals was worried about making assumptions without supporting documentation but when asked for his supporting data; he's not willing to provide it. Mr. Tibbals states this information is property specific information and market rent is an example and starts to talk about base rate. President Decker asks about the cost approach. Mr. Tibbals goes into the different approaches again and discussed weighted information and all information to be taken into consideration. President Decker asks Mr. Hirschfeld about the base rate of 7 and that they need to consider that the rate should actually be 5.5? Mr. Hirschfeld explains the rate and cap rate. President Decker then asks if they plug in the rate into the spreadsheet, what would they get? Mr. Tibbals states what Mr. Hirschfeld is describing is valid. Mr. Fridrich states that he would like an explanation of the cost approach and how it was weighted compared to the income approach? He goes on to say anytime he or his investors are looking at a property like this, that he is going off the cap rate not the cost and he needs to understand. Mr. Fridrich states nobody is going to come in and pay two times what the value is compared to the income approach; he needs to know the reasoning or philosophy of how the value came up? Mr. Hirschfeld goes on to explain that you don't know what all income is going to be for the property but can figure the cost. He goes on to explain the cost approach and depreciation. He also states Vanguard had requested all income information from income generated properties and considered that information, assuming ownership sent the information but we do not know if they did or not. He goes onto talk about the income approach and how the gross income multiplier works and how it is weighted. Mr. Odermann asks Mr. Hirschfeld when properties have sold have they landed close to the true and full value above or below? Mr. Hirschfeld states he is not sure for this year but we are running at right about 89% and apartment buildings are the median and we are shooting for low 90's. Mr. Odermann states what the value is that the owners requesting don't make sense with the calculations and that if they were to get out of Dickinson that they would sell for the property for \$2.1 million? Mr. Tibbals states he doesn't dispute Mr. Hirschfeld's cost approach but they haven't prepared that. Mr. Tibbals states he's been pleading with Mr. Hirschfeld for the last three months to have at least a thirty-minute phone call to compare notes. Mr. Tibbals explains the weighted values. He goes on to say that Mr. Hirschfeld stated that he recognized that for any particular year, the true and full value determined is not necessarily the market value and stating its trailing by a couple of years, recognizing that's not the right value. He goes on to say commissioners have an opportunity/responsibility tonight to take that all into consideration and set the market value as of February 1st for 2019, 2020 and 2021 for the three properties. Mr. Odermann asks Mr. Tibbals that the value is off for example about \$2.1 million based on his calculation? Mr. Tibbals states its not uncommon to see that sort of variation in approaches and states sometimes all the approaches aren't always in line. Mr. Odermann asks Mr. Hirschfeld if conversation between him and Mr. Tibbals, along with a couple of commissioners might be worthwhile to ask any questions? Mr. Hirschfeld clarifies information on his PowerPoint, the True and Full value and states that they

did not say they overvalue anything and that is an incorrect statement. He goes on to say he has requested through several emails the same information that Mr. Fridrich has asked for; how they arrived at the cap rate? Mr. Hirschfeld states that they said they will get that to him but even as late as last week it still has not arrived. He goes on to state that Mr. Tibbals is incorrect by assuming that it is up to the assessment office to show him at this point how we arrive at the value and that it's the informal process through the board of equalization. In 2019, it was my job to show him how we arrive at that value. Mr. Hirschfeld states they are saying that the value is incorrect and it is up to them to prove that, but they are not sharing information. He goes on to say he has the income and he is not invalidating the income and has used it, but he is questioning the cap rates. He states the gross income multiplier is supported with Dickinson sales and that information supports everything that Vanguard has come up with their income, cost, and market research, which is in the packet. He states he doesn't feel that anymore discussion will help the process at this time. Mr. Odermann goes on to say that he is willing to make a motion to table these six pending the commitment from Mr. Tibbals that we'd get the cap rate calculation along with getting sales in the community from Mr. Hirschfeld and how they compare to true and full value estimated by Vanguard to have a more educated decision. President Decker verifies with Mr. Odermann that is for the Jefferson Creek and Lincoln apartments? Mr. Odermann states that is correct. Mr. Hirschfeld states regarding the percentage we could have that by this evening if you'd like and we could take a recess. Mr. Odermann states he'd like the base rate information and how that is calculated so they have the accurate information so they can make an educated decision.

MOTION BY: John Odermann

SECONDED BY: Jason Fridrich

To table the discussion and any further decision on Jefferson Creek and Lincoln Apartments for years of 2019, 2020, and 2021 to be heard at the Board of Equalization meeting in April.

DEPOSITION: Roll call vote...Aye 5, Nay 0, Absent 0

2. Homstay

Mr. Hirschfeld states the Homstay is going to be a little bit different as we have over 200 apartments properties and hotels around 22 properties, so sales and local data is limited. Mr. Hirschfeld states there were two sales in 2019 but in his opinion, are inferior properties due to age, condition, quality. He talks about the other two properties and states he did have the income information and talks about the gross income multiplier. He notes there was a 70% decrease given to hotels that year and would like to rely on the work that Vanguard did that year. His recommendation would be to make no change. President Decker asks if there are any questions on the Homstay for the year of 2019? Dialed in is Christopher Stafford acting on behalf of the Fremstad Law Firm. He states he sent in significant information to Mr. Hirschfeld. He talks about the summarization briefing provided by Mr. Hirschfeld stating there are some inaccuracies. He says the briefing states owners are looking for a decreased value due to a perceived decreasing market but that is not true. They are looking for decrease in valuation but in the material submitted to Mr. Hirschfeld he wrote and quotes "in general the financial performance of the Dickinson Homstay has risen steadily despite a drop-in performance to concurrent Covid-19 pandemic which was subsequent to the 2019 evaluation date; they are not claiming decrease

market but claiming the valuation is incorrect.” He goes on to talk about the three approaches to valuation and explains how the gross income multiplier works. He talks about the assessment per room noting there is eighty-three rooms and assessing at about \$3,500,000 which is about \$42,500 per key. He states they provided year end financial information for 2016, 2017, and 2018. Based on three-year average financial performance; they are asking for \$1,760,000 or about \$27,500 per key. He did state Vanguard did do a very detailed analysis and talks about the Vanguard data that was provided and the property record card information. He states they are asking for reduction at the high-end average of \$27,500 per key. He states based on the Vanguard information the sales support no more the \$29,500 per key. The income and cost approach support somewhere around \$25,500 per key. He feels their request for \$27,500 is reasonable and asks the City to recommend that the county adopts the assessment as they requested. Mr. Hirschfeld states Mr. Stafford did a good job stating his information wasn’t accurate. Mr. Hirschfeld states he only got two years of income data and Mr. Stafford stated he had three years and asks what years of income statements were provided pertinent to the year? Mr. Stafford states the information was from 2016, 2017, and 2018. The 2017 income statement also included 2016-year end income data. He does comment that he is struggling with the narrative making it hard to follow and to discuss in the order. He states that Mr. Stafford had elected to change medians to averages and finds it hard to comment if he can’t follow and suggests to table this property for another time to understand more. Mr. Stafford states he feels that not all the data was considered from the Assessor’s Office and states the Assessor’s Office has more information than he does and especially on income. He states the market is worse than those three income approaches because Vanguard ignored the properties that weren’t making money. President Decker asks Mr. Hirschfeld why doesn’t Vanguard consider all hotels. Mr. Hirschfeld states that is a good question and that Vanguard assumed that the information was accurate. He states maybe they thought some of the information was outliers and it wasn’t reliable, so they took them out. He states he can’t really answer that question and would have been a good question for Mr. Ehler. Mr. Stafford isn’t sure if Vanguard didn’t consider their outliers and he doesn’t have that information. He states all he knows for certain is that at least 40% of hotels Vanguard looked at weren’t making a profit and they should look at all profitable and non-profitable markets. President Decker states the current recommendation from the Assessor’s Office is to table so all the data can be reviewed and would reconvene at another time. He asks if that is something Mr. Stafford would agree to? Mr. Stafford states if that is what the commission wants to do he would not object but would dispute that it’s not new information. He states that Mr. Hirschfeld had this information and is ready to rock and roll and states that if Mr. Hirschfeld wants more time, that it is just to review the information that he already has. He states they are asking for a value of \$1.76 million. President Decker states that in the consideration the commission has the ability to grant the request by the owner, stay with the recommendation by the City Assessor or come to a new total that we find appropriate. Currently the suggestion by the Assessing Office is to table the owners request to go forward with the request of \$1,760, 0000 for this property. Mr. Fridrich asks Mr. Hirschfeld if six people turn in financial statements and they are all negative; we don’t use them? Mr. Hirschfeld states not necessarily; you would take that all into consideration. The question is how does negative income play into the value of the property and the land has value. Mr. Fridrich asks do we give it any weight according to this property that 40% negative income and there was no consideration? Mr. Hirschfeld states he can’t speak for Mr. Ehler or Vanguard

but he would think that there was some weight given to it and that's why a 70% obsolescence was given to hotels alone. Mr. Fridrich asks about the property record card multiplier and the depreciation? Mr. Hirschfeld explains the many multiplier factors and the depreciation. Mr. Fridrich asks about the Vanguard cost manual and if that is something that only comes out every ten years? Mr. Hirschfeld confirms that is correct and states that Vanguard is specific to Dickinson's market. Mr. Fridrich asks where do they tailor that information from? Mr. Hirschfeld says that Mr. Ehler goes out and does inventory of lumbers yards, builders and this is the stuff he gathers.

MOTION BY: Jason Fridrich

SECOND BY: Suzi Sobolik

TO TABLE THE DECISION UNTIL STAFF CAN HAVE FURTHER DISCUSSION WITH OWNERSHIP

DEPOSITION: Roll call vote...Aye 4, Nay 0, Absent 1

III. ADJOURNMENT

MOTION BY: Scott Decker

SECONDED BY: Suzi Sobolik

Adjournment of the meeting 6:20 pm

OFFICIAL MINUTES PREPARED BY:

Tracy Simnioniw, Property Appraiser Tech

Brian Winningham, City Administrator

Scott Decker, President

Board of City Commissioners

Date: _____