

OFFICIAL PROCEEDINGS
City of Williston
Local Board of Equalization
April 24, 2019 6:00 pm
City of Williston Commission Room – Williston, North Dakota

1. Roll Call of Commissioners

COMMISSIONERS PRESENT: Deannette Piesik, Tate Cymbaluk, Chris Brostuen and Howard Klug

COMMISSIONERS ABSENT: Brad Bekkedahl

OTHERS PRESENT: Karen Larson, David Tuan, Pete Furuseth, Mark Schneider, Dave Peterson, Darcy Anderson and County Support Staff

CHANGES TO THE AGENDA: None

Mayor Klug presented a quorum.

Darcy Anderson, Williams County Tax Director and City of Williston Assessor presented the following:

2. Present Assessment Roll and Related Paperwork

Ms. Anderson presented the Board with Assessment Roll, the 2019 Assessment Report of the City of Williston and other related documents.

The Williams County Assessor's Office has prepared this 2019 Assessment Report of the City of Williston. This report includes specific information regarding the 2019 assessment as well as general information about the assessment process.

North Dakota statutes establish specific requirements for the assessment of property. The law requires that all real property be valued at True and Full Value, which is defined as the market value as of the February 1st assessment date.

The estimated market values established through the 2019 assessment are based upon actual real estate market trends of Williston properties taking place from January 1, 2018 through December 31, 2018. From these trends, our mass appraisal system is used to determine individual property values.

The assessment function is governed by North Dakota State statute. The starting point of the assessment of real property is True and Full Value. For property classified as residential or commercial, True and Full Value means its market value, defined as the price a property would bring if it were offered for sale in the open market for a reasonable length of time and purchased by a willing buyer from a willing seller, etc.

Assessors are historians and measure the market based on sales which have occurred prior to the assessment date. Assessors do not create the market or predict what the market will do; rather, the Assessor follows the patterns set by the real estate market. The True and Full Value which is put on residences and businesses each February is the assessment that is used for the entire tax year. Values may have decreased or increased by the time the taxpayers receive their tax statements in December.

Information on the sales of real estate is of paramount importance to the Assessors in a market-based property tax system. All sales that occur within this January 1st to December 31st time frame, each year, are closely scrutinized by the Assessor's Office. Evidence suggesting a forced sale, foreclosure, a sale to a relative, or anything other than an arm's-length transaction requires the sales to be discarded from the sales study.

The Assessor's Office is charged with setting estimated market values for tax purposes at actual market value. The relationship between sales prices to estimated market value is called the sales ratio. North Dakota State statute requires (for all classes of property) a median ratio of 90-100%. The Assessor's Office makes every effort to ensure that each class of property in Williston meets this target as consistently as possible, ensuring an equitable distribution of the property tax burden for all Williston city taxpayers.

State statute also requires the Assessor's Office send a notice of increase to all property owners whose property value increased 10% and \$3,000.00 over last year's assessment. There were 3,684 notices sent for 2019, compared to 1,529 in 2018.

2019 Residential Sales Study Statistics:

Sales prices have increased over the year with the average sale price being \$250,507, up \$15,000 from last year, while the number of usable sales increased. There were 361 useable residential sales in 2018 (compared with 298 in 2017). These 2018 sales are what the 2019 assessments are based upon. The sales have been assembled into a ratio study which is attached within the report. Residential properties in Williston sold, on average, 10% higher than they were valued.

The overall Sales Ratio for residential properties was 90.1%. As we are required by the State Board of Equalization to be between 90% and 100% of market value, no overall adjustments were needed. However, analysis of other measures of equality indicated adjustments to individual areas were necessary.

In an attempt to determine where changes were needed; sales were analyzed by class, style, age and story. Adjustments were made based on this analysis. Residential property increased on average 13%, including new construction. The average increase was \$25,553, average market was 10.25%. (Darcy referenced statistics from her chart in the Property Assessment Report). Residential True and Full Value increased approximately \$8,100,000. \$3,529,600, in valuation was added to the tax roll from new construction.

Our biggest adjustment to properties was in the residential land. Land rates were analyzed from our sales ratio using the Allocation Method. Increases from a 20% to 144% were made to all areas of residential land in the city. Before adjustments, the median ratio for vacant land was 64.8%, it rose to 71.48% after changes.

We have three areas of land to be corrected tonight.

2019 Commercial Sales Study Statistics:

The State Tax Department requires a sales study of at least 30 sales, and in the absence of adequate current market sales, we had to include 2017. The True and Full Values of the prior year sales were adjusted to 2018's True and Full Value. All the required usable data for Williston has been assembled into a ratio study which is attached within the report.

The overall commercial ratio is 98.5%. Of the 30 sales considered "usable" to be included in the ratio study, 19 sales occurred during 2018. Analysis of these 19 sales indicated a ratio of 112%. In an attempt, to determine where changes were needed; sales were analyzed by type and location of property.

Commercial True and Full Value increased approximately \$25,300,000. Over \$10,000,000, of new construction was added to the commercial valuation of the city.

The Income Approach to Valuation was applied to apartment buildings across the city. Questionnaires regarding income and expenses were sent out. The Assessor's Office analyzed the information received from the 44 returned questionnaires (out of 177 sent out) and created our model. Smaller apartment complexes on average decreased 30% while larger complexes increased 11%.

From our analysis of the questionnaires returned, we were unable to create an expense model. Of the 44 returned, roughly 60% contained income and expenses. The remaining 40% only included income *OR* expenses, leading to a lack of supportable expense information, which is essential to using the typical Income Capitalization model. Due to an adequate number of apartment property sales, we were able to determine values using the Gross Rent Multiplier Method, which only requires rental rates, most of which are publicly available on-line. (Darcy referenced data from a chart in the Property Assessment Report).

The Assessor's Office continued economic obsolescence of 25% to the hotels and motels in town.

3. Present Recommendations

A. Residential

The Assessor's Office recommends residential property be left, as a class, at the level presented. In reviewing the Ratio Adjustment Worksheet included in the report, residential property is assessed at 97.66% of market and would need an increase of 2.39% to reach the statutory level of 100%. The State Board of Equalization allows a 10% tolerance level.

B. Commercial

The Assessor's Office recommends commercial property be left, as a class, at the level presented. In reviewing the Ratio Adjustment Worksheet included in the report, commercial property is assessed at 99.91% of market and would need an increase of 0.09% to reach the statutory level of 100%. The State Board of Equalization allows a 10% tolerance level.

Mayor Klug asked for clarification on the 10% tolerance, the commercial being at 99.91%, how long do we as a Board (or can we) have to say that as long as we have a tolerance in there, we want to be a certain percent. How long do we have to study this, until we can start adjusting mills, later on and stuff like this, is that a right now thing. Darcy answered yes, it has to during the meeting, today, unless we recess and come back tomorrow, or another day with more information.

Mayor Klug also asked about cities like Dickinson or Minot, typically what are their values, as between the 90-100. Darcy indicated it really depends on the assessor, as there are some that will come in out of tolerance and make the state be the bad guy and move everyone into tolerance, which I do not feel is fair to the taxpayers. Most of the assessors aim for the 95 right in the middle and we came in high this year.

Mayor Klug asked again that this decision needs to be made in tonight's meeting. As we only do this once a year, do we direct you to go back or do we as a Board decide that we want to be in the middle at 95%. Darcy indicated later on in the meeting there is a recommendation motion to change a class, leave as they are or adjust.

Ms. Anderson reviewed the 2019 Assessment Summary of True and Full Values of each class of property in Williston. Commercial property makes up the majority of the total valuation at 55.13% and residential is at 36.59%.

Ms. Anderson reviewed the historical True and Full Value data for 2010-2019, excluding exempt property, which were up 6.86% over last year and the 2019 Summary of Privileged Exemptions included in the report. These exemptions are allowable by century code and include churches, low income rentals, blind residences, etc.

Ms. Anderson further reviewed the 2018-2019 Mobile Home Court Occupancy data included in the report. There has been a decrease in 2019. Mobile homes are taxable, however, are not included in the report. A separate report is provided to the State, as mobile homes are not taxed in arrears, as real estate is.

Ms. Anderson gave a brief explanation of the makeup of the property tax system. It contains only three primary elements: budget, valuation and tax. The amount of tax to be collected is calculated by dividing the budget by the taxable valuation (which is how mill levies are set).

Finally, Ms. Anderson reviewed the historical mill levy data for 2009-2018, as well as, a mill comparison of major cities in North Dakota with Williston being the lowest, both city and total.

Mayor Klug asked if the 2018 city mill levy is comparable to 2017. Darcy answered the 2017 city mill levy was 35.08% and for 2018 it was 35.62%.

Commissioner Cymbaluk asked about the mill comparisons, the other cities, do they still have park boards. Darcy indicated yes and Commissioner Cymbaluk wanted to point out, therefore we are a little bit less.

4. Open Public Hearing

Mayor Klug opened the hearing for public comment and protests, he indicated to please approach the podium state your name and identify your parcel for the record and asked if anyone would like to speak.

A. Audience Comments & Protests

- 1) **Larry Doeden (two parcels 1st Ave W.):** I feel the percentages are fair, however, this parcel is located out west of town in the Anderson Subdivision. Last year's assessment was \$21,000 and the increase is \$21,000 for next year, nothing has been done on this property and there is no trunk sewer on the south side of the highway and we are strapped for improvements. This property increased 100%. The parcel on 1st Ave W, last year's assessment was \$44,300, this year the assessment is \$70,300, a 58% increase. Why such an increase when nothing has been done to either property. We understand there are increases and we want to pay our fair share, however, we feel this may not be in hand with everyone else and is requesting a review of this parcel.
- 2) **Leon Brackey (1814 16th Court W.):** I purchased the home in 2012 and have an appraisal from 2012 which indicates the value at \$432,000. Last year it was \$399,000 and this year has gone to \$538,700, a 25% increase. This seems like a large increase comparatively and we are requesting a review. My wife was told it was the property that increased, rather than the home. I am a licensed land surveyor and my lot has not increased in size, so I am not sure why this increase is so large, when real estate is not selling like it was back in 2012. Commissioner Cymbaluk asked what the land value was at this year compared to last. Darcy answered it was \$88,400 last year and \$260,000 this year for the land. Leon asked what it was in 2012, Darcy indicated it was \$44,000 (Joan Hagen Subdivision). It was stated that there is a correction on this property, after further investigation of our sales analysis, it was discovered that our calculations were incorrect for this area, it was calculated at \$11 per sq. ft when it should have been \$6.75 per sq. ft. There were a few sales included that really should not have been. We will be making the correction.
- 3) **Adam Nelson (Red Rock Ford 410 32nd Ave W.):** I'm here to protest the valuation of the new Red Rock Ford Building. I had previously submitted a letter for the building owned by Nelson Family Investments. Our original assessment was \$9.8 in April 2019 and this surprised us, as it exceeded the land purchase and our construction costs. Construction costs totaled \$6.8 and the 10-acre land purchase was \$1.6. Unlike some of the larger corporate stores, Ford does not provide a new construction package solution available to dealerships. We are requesting our assessment be lowered to our construction costs.

4) **Alex Gilbertson (3 lots Lake Park Subdivision):** Lots 1 & 3 are what I am requesting a review on, these lots have increased 100% from last year to this year. I am asking why, as these half acre lots are unusable to anyone else, as you cannot put a dwelling on them, there is no sewer in the area and you cannot put a septic on them and they are too small. It was clarified these are non-buildable lots and cannot be combined as lot 2 is in-between and already has a dwelling on it.

5) **Ethan Horn with Ryan Property Tax Services:**

- **Strata Williston Apartments (1535 19th Ave W.):** Built in 2010, 62 units, current 2019 assessment \$5,153,400. We are requesting a reduction to \$3,410,000 based on the 10/3/2018 purchase price. We also have an appraisal to support this request. Commissioner Cymbaluk asked if the appraisal has comparables from Williston. Darcy indicated the comparables they are using are apartment buildings and these are single family units, and this is how they were assessed, and we would not compare them commercially. Commissioner Cymbaluk asked if they were being run as apartments and Ethan indicated this is how it is run and also how it was purchased. Commissioner Cymbaluk asked if the rents had been raised and Ethan indicated he does not know this information.
- **Washington Valley Apartments (3209 & 3315 2nd Ave E.):** Built in 2012, 72 units, total value for both parcels combined is \$5,346,800. The property was purchased 5/3/2018 for \$3,913,000. We are requesting a reduction to match the purchase price.
- **University Commons Apartments (32nd Street E.):** Built in 2015, 218 units, current value is \$19,565,600. We are requesting a reduction to \$12,306,000 (requested value per unit \$56,450). We have provided an actual income & expense statement from the last three years, we ran an income analysis and applied a capitalization rate to the property. This approach mirrors what investors would do when they are trying to determine a purchase price of a property. We feel this is the most appropriate and applicable method and provides the most accurate estimate of value. Commissioner Cymbaluk asked what CAP rate was used, it was indicated it was 9%. Dave Tuan asked if they received a questionnaire, it was indicated yes, and it was provided. CAP rate was also clarified and explained. Darcy indicated the last sale date was in 2014.
- **Regency Apartment Homes (42nd Street E.):** Built in 2014, 144 units, current property value is \$11,824,400. We are requesting a reduction to \$6,492,000 (\$45,000 per unit). We have provided four years of historical value and we applied a 9% CAP rate to the actual income and

expense. Darcy indicated there was an error in the number of units, we will be correcting it to \$11,824,400.

- **Northgate Apartments (621 42nd Street E.):** Built in 2014, 300 units. Current property value \$27,502,000. We are requesting a reduction to \$20,395,000 (\$68,000 per unit). We have provided four years of historical value and we applied a 9% CAP rate to the actual income and expense.
- **The Bluffs of Williston Apartments (3009 31st Ave W.):** Built in 2015, 148 units. Current property value \$14,431,800. We are requesting a reduction to \$10,370,000 (\$70,000 per unit). We have provided three years of historical value and we applied a 9% CAP rate to the actual income and expense.

Ethan pointed out that unlike the assessor's approach (Gross Revenue Multiplier Approach) which is based on theoretical rents amounts, our approach is based on actual income vs. actual expenses. Which is how an investor would assess a property.

Mayor Klug indicated this is an equalization board hearing and we do the best job we can by reaching out to people and offering the opportunity for them to submit financials. However, we have to use the best analysis that we have available.

- **Grand Williston Hotel and Conference Center:** We would like to have this tabled and further review but have just received additional information from the owner today.

Mayor Klug indicated we do not table, however, it can be taken to the County for further review.

- **The Harvest Plaza:** Built in 2015, has never been over 20% occupancy, 39,000 sq. ft. Current value is \$5,448,400. We have run an income analysis based on the current asking rent on the property. Our assumption is if stabilized it would be at 80% occupancy. We are requesting a reduction to \$3,929,000. Supporting documents have been provided.

Commissioner Cymbaluk asked about the large amounts of rent they were asking for during the boom and now they can't rent it and are now asking us for a concession on their valuation, after trying to take advantage of this community. Ethan indicated he did not want to answer this question as it may not be objective. Darcy indicated these properties are not valued on the income approach.

- 6) **Craig Davis (21 70th Street E.):** We have lived on this property for 40 years. Unlike most folks our age who are down-sizing, we are building on. Our land valuation has gone up from \$304,300 in 2018 to \$572,500 in 2019, an 88% increase. We are requesting a review.

Mayor Klug asked if anyone else would like to speak, he asked a third time and hearing none, Mayor Klug indicated we would now hear formal protests received prior to equalization.

7) Formal Protests Received Prior to Equalization

Darcy presented the formal protests to the Board. A complete list of protests was included in the 2019 report, along with the Addendum, some of which have been heard already tonight. All protests and recommendations have been noted in the report.

Commissioner Cymbaluk asked regarding #5 (Harvest Hills) will all the lots be corrected. Darcy indicated yes, they will all get a correction.

5. Close Public Hearing

Mayor Klug asked if there were any more comments, hearing none; Mayor Klug closed the public hearing.

6. Board Actions Regarding Public Hearing

- A. Individual Actions – Audience Comments & Protests
- B. Individual Actions – Formal Protests Received Prior to Equalization
- C. Concerns & Comments Received Prior to Equalization

Larry Doeden: Is this property in the city limits or is it in the ETJ. Darcy indicated this does have a city parcel number. There was some further discussion on which property Larry was referring to, as the one property may not be a city issue. The other property on 1st Ave W and the increase of 58% was substantial. Darcy passed out sales data from the area to support the increase. Commissioner Cymbaluk asked how big his lot is, Darcy indicated it is 7,000 sq. ft (50x140). Mayor Klug asked what the total value of the house is, Darcy indicated the vacant lot is \$42,000 and the house which sits on a larger lot (9,000 sq. ft.) is \$16,000 and the land is \$54,300. Mayor Klug stated the home value seems low and Darcy indicated it may be the garage. Commissioner Cymbaluk commented on the lot and how it only benefits him, as it is small and if he sells it will have to be a package deal and feels this may be an aggressive increase. Commissioner Cymbaluk indicated a 25% increase would be more reasonable, however, Darcy indicated the same formula was applied to him as was applied to all. Darcy referred to the vacant land sales data in the report to further support the increase. Commissioner Cymbaluk indicated \$50,000 for a lot in town with full services would be more realistic, however, the vacant lot should be tied to his house as he cannot sell this lot. The lot with the garage should be re-evaluated and tied to his home, as nothing can be done with this lot and make it one taxable parcel. Darcy indicated her concern is there are other parcels in town with similar circumstances and if we do for one, we would have to do for all, however, we could make an adjustment for no sewer or water services servicing the lot. Recommendation: Leave the land value at \$44,300 based on no utilities (based on Darcy's recommendation that the structure value went down).

Leon Brackey: This will be corrected.

Adam Nelson (Red Rock Ford): Recommendation is to lower to \$9.2 total valuation.

Alex Gilbertson: Recommendation is to increase the valuation 10% from last year's amount, based on limited services. Darcy indicated then we should do this for all the similar vacant lots in this area.

Strata Williston Apartments: Darcy indicated one of the one-story buildings sold this year for \$129,000. We have been currently at \$106,400 for these units. Compared to other town homes, we ran a quick comp report and they all come in at the indicated value and very close to what we have them currently assessed at. Ethan Horn indicated the owners are willing to consolidate the parcels if this simplifies things. If he does this, it would change to commercial. Recommendation; is to leave as is, no change.

Ethan Horn (Remaining Apartments): Darcy indicated after two requests there was no income/expense data received. The rents that we did find on line, are still higher than what we found the medium and average to be. Mayor Klug asked if these apartments are valued the same as other apartments in Williston and Darcy answered yes. He also asked if any of the properties presented by Ethan Horn should have special consideration, Darcy indicated there is one that needs a correction, however, the others do not need to be changed. Mayor Klug asked the Board if they wanted to provide any input on any of the parcels, hearing no comments. Recommendation: Leave them all the current valuation.

Harvest Plaza: Recommendation: Leave at current valuation.

Grand Williston Hotel and Conference Center: Withdrawn

Craig Davis: This is a 2.5-acre parcel, as they have added some living space in their garage and realized we had not updated for the garage built in 2013 and we were also missing one of the shops. There was a lot of information to add to this parcel. Commissioner Cymbaluk deferred to the land value, indicating he felt it was over-valued at \$170,000. Darcy indicated there is already an obsolescence of 50% on the first acre and 90% on the .5-acre in back. Darcy stated most of the other large acreage out in the city, is valued by acre and we chose not to raise those prices this year. I see this parcel is by square foot and those prices did go up. Recommendation is to change this to per acre cost.

Motion by Piesik, Seconded by Brostuen to move that a finding be made that the comments and protests as noted in the minutes have been reviewed by the City of Williston Board of Equalization and move these recommendations of the Assessor's Office regarding the protests be followed except where noted in the minutes

AYE: Piesik, Cymbaluk, Brostuen and Klug

NAY: None

ABSENT AND NOT VOTING: Bekkedahl

CARRIED: 4-0

7. Corrections

Ms. Anderson presented corrections and changes to the Board. A complete list of corrections was included in the 2019 report.

Motion by Piesik, Seconded by Cymbaluk to move that a finding be made that the corrections and changes as noted in the minutes have been reviewed by the City of Williston Board of Equalization and move these recommendations of the Assessor's Office regarding the changes be followed except where noted in the minutes

AYE: Piesik, Cymbaluk, Brostuen and Klug

NAY: None

ABSENT AND NOT VOTING: Bekkedahl

CARRIED: 4-0

8. Exemptions

Ms. Anderson presented exemptions to the Board.

Motion by Cymbaluk, Seconded by Piesik to move that a finding be made that all exemption applications have been reviewed by the City of Williston Board of Equalization and find them proper as presented or corrected as noted in the minutes

AYE: Piesik, Cymbaluk, Brostuen and Klug

NAY: None

ABSENT AND NOT VOTING: Bekkedahl

CARRIED: 4-0

9. Homestead Credit Applications

Ms. Anderson presented Homestead Credit Applications to the Board.

Motion by Brostuen, Seconded by Cymbaluk to move that a finding be made that all Homestead Credit Applications have been reviewed by the City of Williston Board of Equalization and find them proper as presented or corrected as noted in the minutes

AYE: Piesik, Cymbaluk, Brostuen and Klug

NAY: None

ABSENT AND NOT VOTING: Bekkedahl

CARRIED: 4-0

10. Veteran's Credit Applications

Ms. Anderson presented Veteran's Credit Applications to the Board.

Motion by Cymbaluk, Seconded by Piesik to move that a finding be made that all Veteran's Credit Applications have been reviewed by the City of Williston Board of Equalization and find them proper as presented or corrected as noted in the minutes

AYE: Piesik, Cymbaluk, Brostuen and Klug

NAY: None

ABSENT AND NOT VOTING: Bekkedahl

CARRIED: 4-0

11. Office Personnel Properties

Ms. Anderson presented the office employee properties to the Board. A complete list of properties was included in the 2019 report.

Motion by Piesik, Seconded by Brostuen to move that a finding be made that the valuation of properties owned by employees of the Williams County Tax Equalization Office have been reviewed by the City of Williston Board of Equalization and find them proper as presented or corrected as noted in the minutes

AYE: Piesik, Cymbaluk, Brostuen and Klug

NAY: None

ABSENT AND NOT VOTING: Bekkedahl

CARRIED: 4-0

12. Findings & Motions

Mayor Klug stated before moving on to Finding #1, earlier he had asked about a variance of what the State could do for us. We are at 99.1%. We have the opportunity to change this percent.

Commissioner Cymbaluk asked if we are lowering the percent, will this allow us to decrease the mills, which will decrease taxes. Darcy indicated the potential is that if we lower the values, the mills may have to be raised.

Mayor Klug asked if we reduce the percent down, do we have to send a notice. Darcy indicated yes this should be sent, however, it is required for increases but not decreases, but feels it is a good idea.

City Attorney Pete Furuseth stated he feels this percentage should stay as is.

Darcy stated it is an estimated \$8.00 tax reduction per \$100,000 for every percent it is lowered.

Mayor Klug indicated we will take care of this at a later time.

Finding #1

Motion by Cymbaluk, Seconded by Brostuen to move that a finding be made that all classifications of property have been reviewed and find them proper as assessed or corrected as noted in the minutes

AYE: Piesik, Cymbaluk, Brostuen and Klug
NAY: None
ABSENT AND NOT VOTING: Bekkedahl
CARRIED: 4-0

Finding #2

Motion by Cymbaluk, Seconded by Piesik to move that a finding be made that the overall Assessment Roll for the City of Williston for 2019 has been reviewed and find it proper as assessed or corrected as noted in the minutes

AYE: Piesik, Cymbaluk, Brostuen and Klug
NAY: None
ABSENT AND NOT VOTING: Bekkedahl
CARRIED: 4-0

Motion #1

Motion by Brostuen, Seconded by Cymbaluk to move the corrections and changes be made as noted in the minutes

AYE: Piesik, Cymbaluk, Brostuen and Klug
NAY: None
ABSENT AND NOT VOTING: Bekkedahl
CARRIED: 4-0

Motion #2

Motion by Piesik, Seconded by Brostuen to move based on the preceding findings and a thorough review of the Assessment Rolls and Statistical Reports, the City of Williston Board of Equalization declare the City of Williston Assessments for 2019 Equalized as assessed or corrected as noted in the minutes

AYE: Piesik, Cymbaluk, Brostuen and Klug
NAY: None
ABSENT AND NOT VOTING: Bekkedahl
CARRIED: 4-0

13. Adjourned meeting at 8:00 pm

Motion by Cymbaluk, Seconded by Piesik to adjourn the meeting.
UNANIMOUS BY VOICE VOTE

APPROVED:

Howard Klug, President
Board of City Commissioners

ATTEST:

John Kautzman, City Auditor