

## Staff Report for 2022 State Board of Equalization

October 6, 2022

**File No:** 2022-FARGO-PREYLOCK

**Prepared By:** Property Tax Division

**County or City:** City of Fargo

**Appellant:** Preylock Fargo LLC

**Issue:** Appeal of the commercial property valuation

---

**Summary:** Preylock Fargo LLC requests a reduction in valuation on Parcel number 01-8760-00100-000, located at 3737 44<sup>th</sup> Ave. N, Fargo.

---

**Analysis:** The 2022 assessed value for this parcel is \$119,297,000. Preylock Fargo LLC requests a reduced assessed value of \$96,132,154. Preylock raises three issues, first that the second level mezzanine is personal property and should not be assessed as real property. Next, Preylock asserts that the values assessed for the land and heating (HVAC) system are incorrect.

The warehouse is located on a newly annexed 107.46-acre parcel with an assessed land value of \$8,192,000, or a value of \$1.75 per square foot. Twenty-eight commercial properties in proximity to the Preylock property were reviewed. The analysis of comparable properties indicates that the land value of \$1.75 per square foot is consistent with the area, and the subject property is properly assessed.

Consideration was given to the three approaches to value. The cost approach was deemed the most appropriate. The income approach is not applicable, as this property is not income producing. The sales approach cannot be used due to a lack of sales of comparable properties.

On August 15, 2022, Property Tax Division staff conducted an onsite visit of the 1,079,000 square foot warehouse. The warehouse contains a 250,498 square foot mezzanine. There is another area on top of the mezzanine, that is a 239,990 square foot storage level. Preylock contends this storage level is not real property.

The Property Tax Division inspected the mezzanine and storage level to determine whether they were properly assessed as real property. The mezzanine has a concrete floor which is supported by steel beams. The steel beams that support the mezzanine also support the roof of the warehouse. In contrast, the storage level has a wooden floor which is supported by hollow metal posts bolted only to the mezzanine floor.

Using a three-part test as set forth in N.D.C.C. § 57-02-04, consideration shall be given in determining if items which pertain to the use of such structures and buildings are classified as real or personal property.

1. Are items constructed as an integral part of the structure or building?

The storage level is not constructed as an integral part of the building. The storage level is only supported by hollow metal posts bolted to the mezzanine floor, making the storage area removable. In addition, the floor of the storage level is made of removable wood.

2. Are items essential for the support of the structures or buildings?

The warehouse was constructed with steel beams from the floor to the ceiling of the building. The storage level is not affixed to these beams and is not essential for the support of the building.

3. Are items removable without materially limiting or restricting the use of such structures or buildings?

As identified in numbers 1 and 2, the storage level can be removed without materially limiting or restricting the use of the building as a warehouse. Removing the storage level would not limit the use of the building as a warehouse facility, cause any structural damage to the building, and would not be economically unfeasible.

For the above reasons, the storage level is personal property, not real property. Therefore, the assessment of the property must be reduced by the value of the storage level.

City of Fargo Assessor, Mr. Michael Splonskowski, and Preylock representative, Mr. Johnny Deeds, both provided a cost approach using the Marshall & Swift commercial valuation program.

The City of Fargo's cost approach indicated a per square foot cost of \$19.99 for HVAC Package Unit providing heating and cooling. However, heating costs were already included in the base cost of the building. The Property Tax Division staff's cost approach indicates a per square foot cost of \$6.04 for cooling as the heating cost is already included in the base cost. The Property Tax Division's review indicates the assessment value of the HVAC system identified in the 2022 assessment must be reduced.

Based on the Property Tax Division staff's analysis, the land assessment has been valued properly, the HVAC system has been valued incorrectly, and that the storage level has been incorrectly classified as real property. A total reduction in the improvement assessment of \$14,800,165 is determined.

---

**Recommendation:** Direct Cass County to decrease the improvement assessment of parcel number 01-8760-00100-000 by 13%; resulting in an approximate total assessment of \$104,496,835.