Staff Report for 2022 State Board of Equalization

October 6, 2022

File No: 2022-FARGO-FARGO SOUTH HOSPITALITY
Prepared By: Property Tax Division

County or City: City of Fargo
Appellant: Fargo South Hospitality LLC c/o Pivotal Tax Solutions
Issue: Hotel property valuation

Summary: Property owners allege that the current economic and market conditions surrounding the subject property, parcel number 01-8428-00020-000, located at 5064 23 Ave. S, Fargo, support a lower property valuation.

Analysis: An assessed value of $6,134,500 was approved by the Cass County Board of Equalization. $4,936,500 is attributable to the building, which is $54,850 per unit. Fargo South Hospitality states that the economic and market conditions surrounding the subject property support a lower building valuation of $3,092,317, which is $34,359 per unit.

Property Tax Division staff conducted an onsite visit, on August 15, 2022. The subject property was built in 2013 and is a four-story, 90-unit hotel.

Consideration was given to the three approaches to value. The cost approach, provided by the City of Fargo Assessor, Mr. Michael Splonskowski, showed that he applied an economic and market adjustment. The Property Tax Division Staff’s cost approach analysis indicated a total value of $7,094,000 or $78,800 per unit.

The sales approach was considered using five comparable hotel sales. These sales indicated an average total sales price of $5,506,000 and an average price of $69,100 per unit. In 2019, the subject property sold for $9,040,000, which is $101,000 per unit. The Property Tax Division Staff’s sales approach analysis indicated a total value of $6,219,000 with a value of $69,100 per unit.

The income approach was considered using information provided by both Fargo South Hospitality and the City of Fargo. Income information was provided by Fargo South Hospitality for the years 2019 through 2021, which indicated a loss for 2019 and 2020. The income data provided by the city included lodging tax information and data from the Convention Visitors Bureau. The City of Fargo has recognized the decrease in revenue and decreased all hotel assessments by 15%.

The Property Tax Division staff has determined, based upon the three approaches, that the Cass County Board of Equalization’s 2022 assessed value of $6,134,500 is reasonable and no change in valuation is necessary.

Recommendation: No action required.