

Staff Report for 2023 State Board of Equalization

File No.: 2023-GRANT-SCHNEIDER

Prepared By: Property Tax Division

County or City: Grant County

Appellant: William Schneider

Issue: Appeal of Commercial Property Valuation

Summary: Mr. William Schneider is appealing the cumulative property value of \$5,612,500 on parcel numbers 05690000 and 05712100 located at 7133 Red Rock Street, Glen Ullin, ND.

Analysis: Grant County contracted with Vanguard Appraisals, Inc. to conduct a reappraisal of the county in 2022 for the February 1, 2023, assessment date. The reappraisal of Grant County included all parcels with the classification of residential, agricultural dwelling, and commercial. Contained in the letter of transmittal provided by Vanguard were the conclusions of the three approaches to value used to complete the mass appraisal of Grant County. The Grant County Board of Equalization approved the 2023 cumulative true and full value of \$5,612,500 on the vacant parcels in Red Rock Resort Subdivision included in this appeal.

Mr. Schneider appealed two parcel numbers, 05690000 and 05712100, which have the legal descriptions of Lot 1, Block 1, Red Rock Subdivision and Lot 6, Block 12, Red Rock Subdivision, respectively. In a conversation with Property Tax Division staff, he clarified that he is appealing the valuation of all vacant parcels owned by Kingdom Investors, LLC in the Red Rock Resort Subdivision.

Property Tax Division staff met with Mr. Schneider on several occasions to discuss his appeal and for a site tour of the Red Rock Subdivision. Staff also met with Jackie Steinmetz, Grant County Director of Tax Equalization.

The sales approach to value was considered. Mr. Schneider submitted an appraisal dated August 3, 2023, which appraised 153 unsold lots owned by Kingdom Investors, LLC. This appraisal concludes the current cumulative market value of those 153 lots to be \$6,776,000. The Property Tax Staff determined that Kingdom Investors, LLC actually owns 165 lots in Red Rock Resort, and has calculated the cumulative current market value of those 165 lots to be \$7,294,980. Both appraisals show the market value to be higher than the assessed value of \$5,612,500.

The income approach to value was considered using the discounted cash flow method. The discounted cash flow method determines a value as if all individual parcels of land were sold as one unit in a single

sales transaction. Mr. Schneider's August 3, 2023, appraisal determined a value of \$2,673,000. However, that appraisal failed to account for twelve parcels in the final conclusion of value and used an incorrect percentage calculation in the marketing, sales and general administration costs that are part of the discounted cash flow calculation. Property Tax Division Staff used all 165 of the unsold parcels and the correct calculation for the marketing, sales, and general administration costs, and found the discounted cash flow value to be \$4,059,067. Which is lower than the cumulative true and full value of \$5,612,500.

The Property Tax Division Staff believes the discounted cash flow method to be the most accurate valuation model, based on holding costs and time to sell, for the vacant parcels in the Red Rock Subdivision, owned by Kingdom Investors, LLC. Applying a discount of 28% to said parcels will bring the assessment to \$4,041,000 and have the same effect as implementing the discounted cash flow method.

Proposal for Review: Direct Grant County to apply a 28% discount to the vacant parcels in the Red Rock Subdivision bringing the current assessment of \$5,612,500 to an approximate assessment of \$4,041,000.