STATE OF MINNESOTA	TAX COURT
COUNTY OF MCLEOD	REGULAR DIVISION

City West Holdings, LLC, Petitioner,	**FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER FOR JUDGMENT**	
vs.	File No.	43-CV-14-491 43-CV-15-560 43-CV-16-642
County of McLeod, Respondent.	Filed:	February 15, 2018

This matter came on for trial before The Honorable Bradford S. Delapena, Chief Judge of the Minnesota Tax Court.

Ryan T. Conners, Attorney at Law, represents petitioner City West Holdings, LLC.

Michael Junge, McLeod County Attorney, represents respondent McLeod County.

This property tax case concerns the market value of a light manufacturing facility located in Glencoe, Minnesota, as of January 2, 2013, 2014, and 2015. We conclude that the assessed value of the subject property overstates its market value as of each assessment date.

The court, having heard and considered the evidence adduced at trial and the arguments of counsel, and upon all of the files, records, and proceedings herein, now makes the following:

FINDINGS OF FACT

1. Petitioner City West Holdings, LLC, has sufficient interest in the subject property to maintain this petition; all statutory and jurisdictional requirements have been fulfilled; and the court has jurisdiction over the subject matter of the action and the parties thereto.

2. The subject property is a former Bosch Security Systems, Inc., manufacturing facility, located at 1720-14th Street East, in Glencoe, Minnesota.

3. The property consists of seven land parcels with a gross land area of approximately 300,636 square feet.

4. The property has a 120-stall surface parking lot and additional outside storage area.

5. The manufacturing facility's gross building area is approximately 96,368 square feet. The original building was constructed in 1966 and additions were added in subsequent years.

6. The subject property is zoned I-2 General Industrial District.

7. On October 3, 2013, petitioner City West Holdings, LLC, purchased the subject property for $85,000.

8. On October 19, 2016, petitioner City West Holdings, LLC, sold the subject property to Concrete Mobility, LLC, for $425,000. The $425,000 sale price was above market value.

9. The building deteriorated between January 2, 2013, and October 2016.

10. The assessor estimated the subject property's market value at $1,150,800 as of January 2, 2013; $659,600 as of January 2, 2014; and $659,600 as of January 2, 2015.

11. City West's expert appraiser, Matthew R. Schroeder, MAI, valued the property at $300,000 as of each valuation date.

12. The County's expert appraiser, Clay M. Dodd, MAI, ASA, valued the property at $670,000 as of January 2, 2013; $590,000 as of January 2, 2014; and $520,000 as of January 2, 2015.

13. The subject property's market value was $485,000 as of January 2, 2013; $458,000 as of January 2, 2014; and $432,000 as of January 2, 2015.

CONCLUSIONS OF LAW

1. Petitioner submitted sufficient evidence to rebut the prima facie validity of the assessed value as of each valuation date.

2. The assessor's estimated market value for the subject property as of January 2, 2013, 2014, and 2015 overstates its market value as of those dates.

ORDER FOR JUDGMENT

1. The assessed value of the subject property as of January 2, 2013, shall be decreased from $1,150,800 to $485,000.

2. The assessed value of the subject property as of January 2, 2014, shall be decreased from $659,600 to $458,000.

3. The assessed value of the subject property as of January 2, 2015, shall be decreased from $659,600 to $432,000.

4. Real estate taxes due and payable in 2014, 2015, and 2016 shall be recomputed accordingly and refunds, if any, paid to petitioner as required by such computations, together with interest from the original date of payment.

IT IS SO ORDERED. THIS IS A FINAL ORDER. ENTRY OF JUDGMENT IS STAYED FOR 15 DAYS. LET JUDGMENT BE ENTERED ACCORDINGLY.[1]

BY THE COURT,

Bradford S. Delapena, Chief Judge
MINNESOTA TAX COURT

Dated: February 15, 2018

MEMORANDUM

I. THE SUBJECT PROPERTY

This case concerns the January 2, 2013, 2014, and 2015 market value of real property in Glencoe, McLeod County, Minnesota.[2] Although the county is "largely rural,"[3] Glencoe is "situated in reasonably close proximity to the Twin Cities metropolitan area."[4] The subject property is a former Bosch Security Systems, Inc., manufacturing facility.[5] Although, it is zoned

[1] In 2017, Minn. Stat. § 271.08, subd. 1, was amended to extend the time for filing motions for rehearing from 15 to 30 days. Act of May 30, 2017, ch. 1, art. 8, § 3, 2017 Minn. Laws 1017, 1185 (1st Special Session). The extended time period applies only to notices of appeal and petitions filed after June 30, 2017. Act of May 30, 2017, ch. 1, art. 8, § 3, 2017 Minn. Laws 1017, 1185. Consequently, if the notice of appeal or petition in this matter was filed before July 1, 2017, the deadline for motions for rehearing remains 15 days after mailing of the decision of the court.

[2] Ex. 2 (County's Appraisal), at 16.

[3] Ex. 2, at 16.

[4] Ex. 2, at 16; Ex. 1 (City West's Appraisal), at 11.

[5] Ex. 1, at 9; Ex. 2, at 3. Telex Communications, Inc., previously owned the subject, but Bosch acquired Telex before 2013. Ex. 1, at 9; Ex. 2, at 3, 12-13.

I-2 General Industrial District,[6] the property is located in a primarily residential neighborhood at 1720-14th Street East.[7]

The subject consists of seven land parcels[8] with a gross land area of approximately 300,636 square feet.[9] There is a 120-stall surface parking lot and additional outside storage area.[10] The manufacturing building's gross area is approximately 96,368 square feet.[11] The structure was formerly used for light manufacturing (the production and assembly of communications and security systems).[12] The original building of approximately 41,000 square feet was constructed in 1966.[13] The facility was expanded at least twice between 1972 and 1980 to increase capacity.[14] As of the 2013 assessment date, the structure's weighted chronological age was approximately 42 years;[15] it had a leaking roof and associated water damage.[16]

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[6] Ex. 1, at 28; Ex. 2, at 24.

[7] Ex. 1, at 6, 24, 29; Ex. 2, at 1, 22.

[8] Ex. 1, at 30; Ex. 2, at 1.

[9] Ex. 1, at 6. Without clearly indicating his source, Mr. Dodd, the County's appraiser, reported a land area of 299,475 square feet, Ex. 2, at 24, as opposed to Mr. Schroeder's, City West's appraiser, 300,636 square feet, Ex. 1, at 6. We use Schroeder's figure because he relied on a 2013 land title survey. Ex. 1, at 6, 14-15, 31-32. This slight difference—along with others we resolve below concerning building area and certain aspects of the subject property's history—are immaterial, and do not affect our analysis.

[10] Ex. 1, at 30.

[11] Ex. 1, at 6. Relying on assessor's field cards, Mr. Dodd calculated an area of 96,219 square feet for the building, Ex. 2, at 3-4, 9, as opposed to Mr. Schroeder's 96,368 square feet, Ex. 1, at 6. We use Schroeder's figure because he used the 2013 land title survey checked against his own exterior measurements. Ex. 1, at 14-15, 36-37.

[12] Ex. 2, at 3, 6.

[13] Ex. 2, at 4; *see* Ex. 1, at 39.

[14] Ex. 1, at 12; Ex. 2, at 4-5. Mr. Dodd, relying on assessor field cards, reported additions in 1972 and 1980. Ex. 2, at 4. Mr. Schroeder, relying on a property contact, reported additions in 1972, 1974, and 1979. Ex. 1, at 12, 17.

[15] Ex. 1, at 6; Ex. 2, at 10.

In 2011, Bosch ceased production in the building, which remained open for product repairs.[17] In November 2011, Bosch listed the property for sale.[18] In early 2012, Bosch closed the facility and vacated the building.[19] On October 3, 2013, City West Holdings, LLC, purchased the property for $85,000.[20]

City West purchased the property as an investor, rather than a user.[21] A City West co-owner, Mr. Daniel Gelb, testified that at the time of the October 2013 purchase everything in the building was old, including the sprinkler system and heaters, many of which did not work.[22] He said that while City West owned the building, it invested approximately $23,000 to patch the roof.[23] Although this investment addressed existing leaks, Gelb testified that new ones developed, and that the building needed a new roof.[24]

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[16] Ex. 1, at 13, 17; Ex. 2, at 26; *see also* Tr. 61-62 (discussing conditions in October 2013).

[17] Ex. 2, at 13; Ex. 1, at 9.

[18] Ex. 1, at 9; Ex. 2, at 13-14. During the period the property was marketed, Bosch made significant price reductions:

Date:	**Asking Price:**
November 2011	$899,000
April or July 2012	$599,000
September 2012	$499,000
November 2012	$199,000

Ex. 1, at 9; Ex. 2, at 13-14. Mr. Dodd reported that the first reduction occurred in April, Ex. 2, at 13-14, whereas Mr. Schroeder said it happened in July, Ex. 1, at 9.

[19] Ex. 1, at 9, Ex. 2, at 13.

[20] Ex. 1, at 9; Ex. 2, at 14.

[21] Ex. 1, at 9; *see* Ex. 2, at 14-15; Tr. 62.

[22] Tr. 57-58, 61-62; *see also* Ex. 2, at 15-16 (indicating that City West had not heated the building). By the time of trial, Mr. Gelb was the sole owner of City West. Tr. 57.

[23] Tr. 63.

[24] Tr. 66.

In March 2016, City West listed the property for $650,000.[25] Approximately five months later, on August 12, 2016, City West and Concrete Mobility, LLC, entered into a purchase agreement; the sale closed on October 19, 2016, for $425,000.[26] Mobility, a heavy-truck repair company, is located approximately six blocks from the subject.[27] Mobility purchased the property for outside storage—primarily to park large trucks awaiting repair—but also for storage of parts that could not be left outside.[28] Citing the deteriorated condition of the building, Mobility's owner believed he paid more than market value.[29] He explained, however, that operational efficiencies—including less employee time transporting trucks to and from a distant parking facility—justified the above-market purchase price.[30] City West's then co-owner, Daniel Gelb, agreed that Mobility paid a premium for the property.[31]

The assessor estimated the subject's market value at $1,150,800 as of January 2, 2013; $659,600 as of January 2, 2014; and $659,600 as of January 2, 2015.[32] City West's expert appraiser, Matthew R. Schroeder, MAI, valued the property at $300,000 as of each valuation date.[33] The County's expert appraiser, Clay M. Dodd, MAI, ASA, valued it at $670,000 as of January 2, 2013, $590,000 as of January 2, 2014, and $520,000 as of January 2, 2015.[34]

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[25] Ex. 1, at 79; Ex. 2, at 15.

[26] Ex. 1, at 79; Ex. 2, at 15.

[27] Ex. 1, at 79; Ex. 2, at 15.

[28] Ex. 2, at 15; Ex. 1, at 79.

[29] Ex. 1, at 79; Ex. 2, at 15.

[30] Ex. 1, at 79.

[31] Tr. 68.

[32] Pet'r's Post-Trial Br. 5 (filed Nov. 1, 2017); Resp't's Post-Trial Br. 2 (filed Oct. 31, 2017).

[33] Ex. 1, at 98; Tr. 10-11, 14-15.

[34] Ex. 2, at 51; Tr. 77, 79-81.

II. BURDEN OF PROOF

An assessor's estimated market value is prima facie valid. *S. Minn. Beet Sugar Coop v. Cty. of Renville*, 737 N.W.2d 545, 557 (Minn. 2007) (citing Minn. Stat. §§ 271.06, subd. 6, 272.06 (2016)). A prima facie case "simply means one that prevails in the absence of evidence invalidating it." *Id.* at 558 (internal quotation marks and citations omitted). A petitioner may overcome the presumption of validity by introducing evidence that the assessor's estimated market value is excessive. *Id.* When prima facie validity is overcome, a petitioner bears the ultimate burden of persuasion based on a preponderance of the evidence. *Id.*; *Red Owl Stores, Inc. v. Comm'r of Taxation*, 264 Minn. 1, 7-8, 117 N.W.2d 401, 406-07 (1962).

III. PRIMA FACIE VALIDITY

Although these are consolidated appeals for the January 2, 2013, 2014, and 2015 assessment dates,[35] City West and the County each submitted a written appraisal addressing only January 2, 2013.[36] For the 2014 and 2015 assessment dates, each party presented only trial testimony.[37] The County argues that City West failed to rebut presumptive validity for the 2014 and 2015 assessment dates.[38] We disagree.

During cross-examination, Mr. Schroeder, City West's expert appraiser, testified that the property's market value remained at $300,000 as of January 2, 2014, and 2015, because there were no changes in the market.[39] We conclude that this testimony rebutted prima facie validity for the 2014 and 2015 valuation dates. *See Guardian Energy, LLC v. Cty. of Waseca*, 868 N.W.2d 253, 258 n.6 (Minn. 2015) (noting that a presumptively valid assessment "may be

[35] Consolidation Order (filed Feb. 1, 2017).

[36] Ex. 1, at 16; Ex. 2, at 9.

[37] *See, e.g.*, Tr. 14-15, 79-81.

[38] Resp't's Post-Trial Br. 3-4.

[39] Tr. 14-15.

successfully challenged with credible evidence that the assessor's estimated market value is incorrect").

IV. TAX VALUATION GENERALLY

All property "shall be valued at its market value." Minn. Stat. § 273.11, subd. 1 (2016). Market value is defined as "the usual selling price at the place where the property to which the term is applied shall be at the time of assessment; being the price which could be obtained at a private sale or an auction sale ...." Minn. Stat. § 272.03, subd. 8 (2016). We consider the three traditional approaches to valuation—cost, income, and sales comparison—in determining market value. *See Equitable Life Assur. Soc'y of U.S. v. Cty. of Ramsey*, 530 N.W.2d 544, 552 (Minn. 1995). We are not required, however, to give weight to all three valuation approaches, and we may place greater emphasis on a particular approach or approaches. *Id.* at 554.

Mr. Schroeder and Mr. Dodd each declined to develop a cost approach, concluding it would provide an insufficiently reliable indicator of value due to the building's age and substantial depreciation.[40] Neither appraiser developed an income approach because manufacturing plants are typically owner-occupied, and there is little information about lease rates.[41] Thus, Schroeder and Dodd each relied exclusively on a sales comparison analysis for the 2013 assessment, and each arrived at a market value lower than the assessed value.[42] Because the approaches to value are applied in light of a property's highest and best use, *see, e.g.*, Appraisal Institute, *The Appraisal of Real Estate* 42-43, 331, 362, 373, 379, 565 (14th ed. 2013) (so indicating), we turn to highest and best use.

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[40] Ex. 1, at 15, Ex. 2, at 10

[41] Ex. 1, at 15; *see* Ex. 2, at 10.

[42] Ex. 1, at 6, 15; Ex. 2, at 10, 51.

V. Highest and Best Use

A property's highest and best use is "[t]he reasonably probable use of property that results in the highest value." *Id.* 332. To be reasonably probable, a use must be physically possible, legally permissible, and financially feasible. *Id; see also Menard, Inc. v. Cty. of Clay*, 886 N.W.2d 804, 811 (Minn. 2016). Uses that satisfy these three criteria are then tested under a fourth "for economic *productivity*, and the reasonably probable use with the highest value is the highest and best use." *Appraisal of Real Estate* 332.

Highest and best use analysis is undertaken "from two perspectives: [1] the use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements [and 2] the use that should be made of a property as it exists (i.e., considering the current improvements)." *Id.* at 336. An *as vacant* analysis "focuses [broadly] on alternative uses, with the appraiser testing each reasonably probable use for legal permissibility, physical possibility, financial feasibility, and maximum productivity." *Id.* at 337. An *as improved* analysis, in contrast, applies the four criteria more narrowly to alternative uses *of the existing improvements in particular*, evaluating whether to retain, modify, or demolish them. *Id.* "If the value of the property as improved is greater than the value of the site as though vacant less demolition costs, the existing improvements contribute value to the property's highest and best use, and the improvements should not be demolished at that time." *Id.* at 346.

Both appraisers concluded that the value of the subject property as improved was greater than the site's value as though vacant less demolition costs and, accordingly, that the property should be valued "as is."[43] Although the subject property is zoned I-2, General Industrial

[43] Ex. 1, at 86; Ex. 2, at 31-32.

District,[44] it "is set within a primarily residential area." [45] Mr. Dodd, the County's appraiser, concluded that the subject property was suitable neither for industrial nor residential development.[46] Accordingly, Dodd concluded that the property's highest and best use as improved is "for light industrial," and that "the improvements should be left as they currently exist, except that the leaks in the roof valleys should be patched." [47]

Mr. Schroeder, City West's appraiser, concurred that "[l]and values do not warrant a redevelopment of the subject property." [48] He inquired whether it might be possible "to keep the existing industrial use but to modify it in some way," and considered "putting on an addition, updating the property, and/or converting the subject to a multi-tenant property." [49] Schroeder rejected all three alternatives as not cost-justified.[50]

Based on the foregoing evidence, we agree with the appraisers that the subject property's highest and best use is for light industrial use and that it should be valued "as is." [51]

VI. APPRAISAL EVIDENCE

Both appraisers relied exclusively on the sales comparison approach. This approach assumes, among other things, "that the value of property tends to be set by the cost of acquiring a substitute or alternative property of similar utility and desirability within a reasonable amount of time." *Appraisal of Real Estate* 379; *see also Equitable Life Assur. Soc'y*, 530 N.W.2d at 552

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[44] Ex. 1, at 28, Ex. 2, at 24.

[45] Ex. 1, at 24; *see also id.* at 22 (aerial photo), 29.

[46] Ex. 2, at 30-31.

[47] Ex. 2, at 32.

[48] Ex. 1, at 86.

[49] Ex. 1, at 86.

[50] Ex. 1, at 86.

[51] Ex. 1, at 86; Ex. 2, at 32.

(observing that the sales comparison approach "is based on prices paid in actual market transactions involving comparable properties"). The reliability of the approach depends on the availability of sales information for other properties, and on the comparability of those properties to the subject. *Appraisal of Real Estate* 380-81.

A. City West's Appraisal

City West introduced Mr. Schroeder's appraisal valuing the subject property as of January 2, 2013.[52] Schroeder identified "major valuation issues," including the subject's location, the limited number of users or investors for the property, and the large size of the building "in a shallow market."[53] He also identified a number of "functional issues."[54] First, the different construction phases resulted in formerly exterior walls separating different spaces and a floor plan suited only to the specific manufacturing needs of the former owner (Bosch).[55] Second, the building has low ceiling heights and narrow column spacing.[56] Third, the building lacks drive-in and dock-height doors suitable for its size.[57] Additionally, Schroeder noted that the property suffers from a leaking roof and resulting water damage, including mold.[58]

Mr. Schroeder relied on four comparable sales.[59] To account for the subject property's limitations, Schroeder made significant adjustments for location, size, age and condition, quality,

[52] Ex. 1; Tr. 12-13.

[53] Ex. 1, at 8.

[54] Ex. 1, at 8, 12-13.

[55] Ex. 1, at 12, 36, 39, 69.

[56] Ex. 1, at 13, 68-69.

[57] Ex. 1, at 13, 69.

[58] Ex. 1, at 13.

[59] Ex. 1, at 90-93.

amount of office space, ceiling clear height, functionality, land-to-building ratio, and an "other" category.[60] The magnitude of the adjustments and resulting figures are as follows:[61]

	Comp. 1	Comp. 2	Comp. 3	Comp. 4
Net adjustment	15%	105%	60%	5%
Gross adjustment	85%	105%	60%	95%
Final price/sq. ft.	$3.00	$4.10	$3.87	$4.54

After adjustment, Schroeder's comparable sales average $3.88 per square foot of gross building area.[62] Giving the most weight to comparable 1, Schroeder computed a unit value of $3.25 per square foot,[63] and a resulting market value of $300,000 as of January 2, 2013.[64]

In addition to the comparable sales analysis just discussed, Mr. Schroeder also considered the October 2013 sale of the subject property for $85,000, and its October 2016 sale for $425,000.[65] *See Archway Mktg. Servs. v. Cty. of Hennepin*, 882 N.W.2d 890, 896 (Minn. 2016) (commenting that recent sale evidence "may be 'one of the most important elements to be considered' when valuing real property" (quoting *Minn. Entm't Enters., Inc. v. State*, 306 Minn. 184, 188, 235 N.W.2d 390, 393 (1975))). With respect to the 2013 sale, Schroeder concluded that both buyer and seller were typically motivated, but he used the sale only to set a lower value-bracket of $100,000.[66] Concerning the October 2016 sale, Schroeder determined that the

[60] Ex. 1, at 95-97. Mr. Schroeder adjusted comparable 1 by 50% in the "other" category to account for the buyer's installation of a sprinkler system. *Id.* at 90, 95, 97. He adjusted comparable 2 by 25% to account for roof repair costs. *Id.* at 91, 95, 97.

[61] Ex. 1, at 97.

[62] *See* Ex. 1, at 97.

[63] Ex. 1, at 97.

[64] Ex. 1, at 100.

[65] Ex. 1, at 9-10, 72, 79, 100.

[66] Ex. 1, at 72, 79; Tr. 18-19.

buyer, Concrete Mobility, was atypically motivated by business considerations (location and operational cost-savings), and had paid a premium for the property.[67] Schroeder therefore used the sale exclusively to set an upper value-bracket of $400,000.[68] In sum, although Schroeder *considered* recent-sale evidence, he ultimately *relied on* his sales comparison analysis, valuing the property at $300,000 for January 2, 2013.[69] At trial, Schroeder testified that the property's market value remained $300,000 as of January 2, 2014, and 2015, because there were no changes in the market.[70]

B. The County's Appraisal

The County introduced Mr. Dodd's appraisal valuing the subject property as of January 2, 2013.[71] Like Mr. Schroeder, Dodd identified numerous factors limiting the building's utility for other users, including the "cut-up" floor plan; low ceiling heights; lack of overhead doors; and the poor distribution of dock doors, which leaves portions of the building a "considerable distance" from any door.[72] Dodd also recognized the building's compromised physical condition (its leaking roof and water damage).[73]

Mr. Dodd relied on six comparable sales, one of which Mr. Schroeder had also used.[74] Like Schroeder, Dodd made significant adjustments for location, building size, age and condition, percentage of office space, ceiling clear heights, land-to-building ratio, and an "other"

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[67] Ex. 1, at 79; Tr. 35-36. Mr. Schroeder did not quantify the premium. *See* Tr. 37-38.

[68] Ex. 1, at 79; Tr. 35-37.

[69] Ex. 1, at 100; Tr. 18-19, 35-37.

[70] Tr. 14-15.

[71] Ex. 2; Tr. 79.

[72] Ex. 2, at 5-6, 26.

[73] Ex. 2, at 6, 26.

[74] Ex. 2, at 35-46; Ex. 1, at 90. Mr. Dodd's comparable 6 is the same as Mr. Schroeder's comparable 1. Ex. 1, at 90; Ex. 2, at 45-46.

category.[75] Dodd also adjusted for market conditions based on a 2% increase per year, compounded.[76] The magnitude of adjustments and resulting figures are as follows:[77]

	Comp. 1	Comp. 2	Comp. 3	Comp. 4	Comp. 5	Comp. 6
Net adjustment	10%	13%	38%	47%	0%	74%
Gross adjustment	26%	29%	72%	47%	56%	98%
Final price/sq. ft.	$9.14	$13.63	$10.56	$5.16	$5.72	$4.81

After all adjustments, Dodd's comparable sales averaged a unit price of $8.17 per square foot.[78] Next, to account for roof repair, Dodd applied a $75,000 allowance for deferred maintenance.[79] Dodd ultimately determined a unit price of $7.75 and valued the subject property at $670,000 as of January 2, 2013.[80]

Like Mr. Schroeder, Mr. Dodd considered the October 2013 and October 2016 sales of the subject property. Citing evidence that Bosch had precipitously reduced its asking price, Dodd did not rely on the October 2013 sale, concluding that Bosch was trying to "unload the property." [81] Concerning the October 2016 sale for $425,000, Dodd agreed that Mobility was atypically motivated and had paid a premium to purchase the subject.[82] At trial, Dodd estimated

[75] Ex. 2, at 48-50. Because the buyer of comparable 6 was required to install a sprinkler system, Mr. Dodd made a 75% adjustment under "other." *Id.* at 48, 50.

[76] Ex. 2, at 48-49.

[77] Ex. 2, at 48.

[78] Ex. 2, at 50.

[79] Ex. 2, at 51, 27. Mr. Schroeder accounted for the roof condition by adjusting the comparables, rather than making a cost-to-cure adjustment. Ex. 1, at 17, 100.

[80] Ex. 2, at 51.

[81] Ex. 2, at 13-14; Tr. 84.

[82] Ex. 2, at 15, Tr. 81.

the premium to be 5% or 10%, indicating a value in October 2016 between $385,000 and $405,000.[83]

Mr. Dodd did not rely on the October 2016 sale to estimate market value as of January 2, 2013.[84] He did rely on it, however, for the January 2, 2014, and 2015 valuation dates.[85] Specifically, Dodd used: (1) the October 2016 sale price of $425,000; and (2) his January 1, 2013 value of $670,000, to *interpolate* the subject's market value for the 2014 and 2015 assessment dates.[86] Using this approach, Dodd valued the property at $590,000 as of January 2, 2014, and $520,000 as of January 2, 2015.[87]

C. Analysis

We think the appraisers were confronted with a difficult valuation assignment. The subject, a light-manufacturing facility, is located in a "largely rural"[88] county some distance outside the Twin Cities metropolitan area, and lies inside a *residential* neighborhood. By the time of the appraisers' respective property inspections in late 2016,[89] the building had long suffered from a leaking roof and been unheated, accelerating its deterioration due to water intrusion. The appraisers were thus required to *infer* from the subject's condition in late 2016, its condition on January 2, 2013, after approximately 44 months of relatively rapid deterioration. In addition, the building had numerous factors limiting its utility to users other than Bosch, and thus shrinking the pool of potential purchasers for the structure's intended use—light manufacturing.

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[83] Tr. 81-82.

[84] Tr. 85; *see* Ex. 2, at 16, 50-51.

[85] Tr. 79-81.

[86] Tr. 80.

[87] Tr. 80-81.

[88] Ex. 2, at 16.

[89] Ex. 1, at 15; Ex. 2, at ii.

Indeed, City West had purchased the subject in 2013 as a speculative investment (rather than for use), and Mobility had purchased it in October 2016 for use as a parking lot and unheated warehouse (rather than for light manufacturing). Under the circumstances, we are not surprised that the appraisers arrived at somewhat diverse value estimates.

We accept each party's appraisal as an equally probative indication of the market value of this unique property for the 2013 assessment date. The average of the appraisers' 2013 market value conclusions is $485,000. Because we find both appraisers credible, we accept that average as the market value of the subject property as of January 2, 2013.[90] *See Nw. Racquet Swim & Health Clubs, Inc. v. Cty. of Dakota*, No. C1-94-7204, 1996 WL 263283, at *2-3 (Minn. T.C. May 14, 1996) (finding each appraiser credible and consequently using values between each appraiser's), *aff'd*, 557 N.W.2d 582, 588 (Minn. 1997) ("We have held however, that a court confronted with conflicting appraisals may conclude that a compromise in valuation is required, provided it has evidentiary support and is not unreasonable or clearly erroneous." (citing *Halla v. Cty. of Hennepin*, 306 Minn. 533, 534, 237 N.W.2d 348, 349-50 (1975))).

The appraisers concurred that the building deteriorated steadily after the January 2, 2013 assessment date.[91] To account for this deterioration, Mr. Dodd used: (1) his 2013 value of

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[90] In its post-trial brief, City West argues that the October 2013 sale price is probative of market value, and that we should give it "great weight" to value the property at $85,000 as of January 2, 2013. Pet'r's Post-Trial Br. 6-8 (citing *Zephyr Grp., LLP v. Cty. of Washington*, No. 82-CV-13-1668, 2016 WL 7108568 (Minn. T.C. Nov. 30, 2016)). Because neither expert, including Mr. Schroeder, relied on the October 2013 sale to determine market value, however, we decline City West's belated invitation to rely on that sale.

[91] Tr. 80 (Dodd testifying the "building was undergoing what would be normal deterioration for a vacant building, particularly one that leaks and was not heated during the winter months"); *see also* Tr. 71-74 (McLeod County assessor testifying to deterioration of the building between May 2013 property tour and August 2016 property tour). Although Mr. Schroeder testified that the value of the property remained stable for all three assessment dates, Tr. 14-15, he "assumed [in his appraisal report that] the subject was in fair condition" as of January 2, 2013, but also opined that it was in "poor condition" in October 2016, Ex. 1, at 68.

$670,000; and (2) the October 2016 sale price to Mobility of $425,000, to interpolate values for the 2014 and 2015 assessment dates. Based on this record, which contains no written appraisal evidence for the 2014 and 2015 valuation dates, we adopt Dodd's methodology, but use $485,000 (rather than $670,000) as the subject's value on January 2, 2013. And, because the appraisers agreed that Mobility paid a premium for the subject, we adopt Dodd's adjusted sale price of $385,000 as the subject's value in October 2016. Using Dodd's interpolation procedure with these substituted figures, we find that the market value of the subject property was $458,000 as of January 2, 2014, and $432,000 as of January 2, 2015.[92]

B.S.D.

[92] Given our findings that the subject property was worth $485,000 in January 2013, but only $385,000 in October 2016, the property lost $100,000 of value in 45 months, which is $2,222.22 per month and $26,666.67 per year, beginning in January 2013. It was thus worth approximately $458,333.33 in January 2014, and $431,666.66 in January 2015. We round these figures to $458,000 and $432,000, respectively.