

STATE OF NORTH CAROLINA
COUNTY OF WAKE

BEFORE THE PROPERTY TAX COMMISSION
SITTING AS THE
STATE BOARD OF EQUALIZATION AND REVIEW

IN THE MATTER OF THE APPEAL OF:

MINGO CREEK INVESTMENTS II, LLC,
Appellant¹,

20 PTC 0634

From the decision of the Wake County Board
of Equalization and Review

FINAL DECISION

This matter came on for hearing before the North Carolina Property Tax Commission (“Commission”), sitting as the State Board of Equalization and Review, via Webex on Wednesday, January 12, 2022, pursuant to the Appellant’s appeal from the decision of the Wake County Board of Equalization and Review (“Board”).

Chairman Robert C. Hunter presided over the hearing, with Vice Chairman Terry L. Wheeler and Commission Members Alexander A. Guess and June W. Michaux participating.

Attorney Kenneth R. Murphy, III, appeared via Webex on behalf of Wake County (“County”). Attorneys Jason W. Wenzel and Whitney L. Hosey appeared via Webex on behalf of the Appellant.

STATEMENT OF THE CASE

The property under appeal (collectively, the “subject property”) consists of thirty-nine individual parcels, each improved with a townhome, and described further below in Table A. The County conducted its most recent countywide reappraisal with an effective date of January 1, 2020.

The Appellant disputed the January 1, 2020 assessed values of the subject property as determined by the County, and appealed said values to the Wake County Board of Equalization and Review (“Board”). By its written decisions dated November 18, 2020, the Board determined the values of the subject property to be as shown in the following Table A:

¹ Although the Notice of Appeal and Application for Hearing filed in this matter omitted the “II” from the name of the Appellant, the parties have informed the Commission that the Appellant owner’s true name is as provided above.

TABLE A

| REID# | ADDRESS | VALUE |
|--------------|---------------------------------------|---------------|
| 368030 | 903 Plexor Ln Knightdale, NC 27545 | \$ 143,879.00 |
| 368031 | 905 Plexor Ln Knightdale, NC 27545 | \$ 139,108.00 |
| 368032 | 907 Plexor Ln Knightdale, NC 27545 | \$ 143,879.00 |
| 368033 | 909 Plexor Ln Knightdale, NC 27545 | \$ 139,108.00 |
| 368034 | 911 Plexor Ln Knightdale, NC 27545 | \$ 143,879.00 |
| 368035 | 913 Plexor Ln Knightdale, NC 27545 | \$ 139,108.00 |
| 368036 | 915 Plexor Ln Knightdale, NC 27545 | \$ 154,313.00 |
| 368052 | 1115 Plexor Ln Knightdale, NC 27545 | \$ 154,446.00 |
| 368051 | 1113 Plexor Ln Knightdale, NC 27545 | \$ 138,746.00 |
| 368050 | 1111 Plexor Ln Knightdale, NC 27545 | \$ 140,234.00 |
| 368049 | 1109 Plexor Ln Knightdale, NC 27545 | \$ 139,108.00 |
| 368048 | 1107 Plexor Ln Knightdale, NC 27545 | \$ 139,638.00 |
| 368047 | 1105 Plexor Ln Knightdale, NC 27545 | \$ 138,746.00 |
| 368046 | 1103 Plexor Ln Knightdale, NC 27545 | \$ 139,638.00 |
| 368045 | 1101 Plexor Ln Knightdale, NC 27545 | \$ 154,381.00 |
| 368044 | 1015 Plexor Ln Knightdale, NC 27545 | \$ 154,543.00 |
| 368043 | 1013 Plexor Ln Knightdale, NC 27545 | \$ 138,746.00 |
| 368042 | 1011 Plexor Ln Knightdale, NC 27545 | \$ 140,234.00 |
| 368041 | 1009 Plexor Ln Knightdale, NC 27545 | \$ 139,108.00 |
| 368040 | 1007 Plexor Ln Knightdale, NC 27545 | \$ 139,638.00 |
| 368039 | 1005 Plexor Ln Knightdale, NC 27545 | \$ 138,746.00 |
| 368038 | 1003 Plexor Ln Knightdale, NC 27545 | \$ 139,638.00 |
| 368037 | 1001 Plexor Ln Knightdale, NC 27545 | \$ 154,478.00 |
| 368112 | 508 Montview Way Knightdale, NC 27545 | \$ 166,498.00 |
| 368111 | 506 Montview Way Knightdale, NC 27545 | \$ 166,778.00 |
| 368110 | 504 Montview Way Knightdale, NC 27545 | \$ 166,778.00 |
| 368109 | 502 Montview Way Knightdale, NC 27545 | \$ 166,498.00 |
| 368108 | 416 Montview Way Knightdale, NC 27545 | \$ 166,498.00 |
| 368107 | 414 Montview Way Knightdale, NC 27545 | \$ 166,778.00 |
| 368106 | 412 Montview Way Knightdale, NC 27545 | \$ 166,778.00 |
| 368105 | 410 Montview Way Knightdale, NC 27545 | \$ 166,778.00 |
| 368104 | 408 Montview Way Knightdale, NC 27545 | \$ 166,778.00 |
| 368103 | 406 Montview Way Knightdale, NC 27545 | \$ 166,778.00 |
| 368102 | 404 Montview Way Knightdale, NC 27545 | \$ 166,778.00 |
| 368101 | 402 Montview Way Knightdale, NC 27545 | \$ 166,498.00 |
| 368100 | 308 Montview Way Knightdale, NC 27545 | \$ 166,498.00 |
| 368099 | 306 Montview Way Knightdale, NC 27545 | \$ 166,778.00 |
| 368098 | 304 Montview Way Knightdale, NC 27545 | \$ 166,778.00 |
| 368097 | 302 Montview Way Knightdale, NC 27545 | \$ 166,498.00 |

The aggregate Board value for the subject property as shown in Table A is \$5,960,110. The Appellant appeals from these decisions of the Board, contending in the Application for Hearing filed in this matter that the true aggregate value of the subject property, as of January 1, 2020, was actually \$5,200,000.

ANALYSIS AND ISSUES

A county's ad valorem tax assessment is presumed to be correct.² A taxpayer may rebut this presumption by producing "competent, material, and substantial" evidence that tends to show that: "(1) [e]ither the county tax supervisor used an *arbitrary method* of valuation; or (2) the county tax supervisor used an *illegal method* of valuation; AND (3) the assessment *substantially* exceeded the true value in money of the property".³ N.C. Gen. Stat. §105-283 requires all taxable property to be valued for tax purposes at its "true value," as that term is defined in the same section.

If the taxpayer produces the evidence required to rebut the presumption, then the burden shifts to the taxing authority to demonstrate that its methods produce true values.⁴

Under this analysis, the Commission must consider the following issues:

1. Whether the Appellant carried its burden of producing competent, material and substantial evidence tending to show that:
 - (a) The County employed an arbitrary or illegal method of valuation in determining the assessed value of the Appellant's property; and
 - (b) The assessed value substantially exceeded the true value of the property for the year at issue.
2. If the Appellant produced the evidence required to rebut the presumption, then whether the County demonstrated that its appraisal methods produced a true value for the property, considering the evidence of both sides; its weight and sufficiency and the credibility of witnesses; the inferences drawn therefrom; and the [evaluation] of conflicting and circumstantial evidence.⁵

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² *In re Amp, Inc.*, 287 N.C. 547, 563, 215 S.E.2d 752, 762 (1975).

³ *Id.* (capitalization and emphasis in original).

⁴ *In re Appeal of S. Ry. Co.*, 313 N.C. 177, 323 S.E.2d 235 (1985). *In re IBM Credit Corporation, (IBM Credit II)*, 201 N.C. App. 343, 689 S.E.2d 487 (2009), disc. review denied and appeal dismissed, 363 N.C. 854, 694 S.E.2d 204 (2010).

⁵ *In re Parkdale Mills*, 225 N.C. App. 713, 741 S.E.2d 416 (2013).

**FROM THE EVIDENCE PRESENTED AND ALL DOCUMENTS OF RECORD,
THE COMMISSION MAKES THE FOLLOWING FINDINGS OF FACT:**

1. During the hearing, the parties agreed that the property under appeal consists of 39 townhomes. The Appellant actually owns 40 townhomes in the neighborhood of the subject property, but only 39 of the townhomes are the subject of this appeal, with the 40th townhome being (apparently) unintentionally omitted from the appeal. During the hearing, the Appellant provided testimony amending its opinion of value from \$5,200,000 (for 40 townhomes) to somewhat lower values, as described below.
2. The Appellant's primary contention is that the subject property should be considered and appraised as a single property consisting of 39 residential rental units, much like an apartment complex. Accordingly, the Appellant's position is that the County did not adequately consider the income approach in its appraisal of the subject property, and that the County placed too much emphasis on the fact that the subject property's townhomes are individually platted and assigned individual parcel numbers.
3. In support of its contention that the subject property should be objectively considered as a single property, the Appellant offered evidence that all 39 townhomes have a single owner (the Appellant); that the 39 townhomes are contiguous; that the Appellant has always considered the subject property to be a single property; and that two lenders making loans secured by the subject property have treated the subject property as a single property.
4. The Appellant's witness Brian Strickland, a Vice President for the Fred Smith Company (the member-manager of the Appellant), testified that the Appellant had been a developer for the subdivision in which the subject property is located. Mr. Strickland testified further that the Appellant had always intended to treat the subject property as a single property, and that two lenders had previously treated the subject property as a single property, referring to Taxpayer Exhibit 8 (a Fannie Mae form multifamily Deed of Trust involving the subject property) and to Taxpayer Exhibit 9 (a commitment to lend involving the subject property). Mr. Strickland described the subject property as being groups of four or eight conjoined townhomes that share party walls, and in response to a question from the Commission, further described the Exhibit 8 Deed of Trust as conveying all of the subject property via a single instrument.
5. On cross-examination, Mr. Strickland testified that an appraisal had been performed in late 2019, in connection with an anticipated refinance of the subject property. Mr. Strickland testified further that Taxpayer Exhibit 9 represented the lender's commitment to lend the

Appellant \$4,075,000, and that the maximum loan-to-value ratio for the subject property would have generally been no more than 70%. We note that, mathematically, these factors would indicate an appraised value of no less than \$5,821,428 ($\$4,075,000/.7$). Mr. Strickland testified that the appraisal report received in connection with the refinance was not readily available at the time of his testimony, but conceded nonetheless that it would have had to indicate a value of around \$5,800,000 as of the 4th Quarter of 2019, just prior to the January 1, 2020 reappraisal date. We note further that this appraisal was for all 40 townhomes owned by the Appellant.

6. In response to further questioning from the Commission, Mr. Strickland testified that the Appellant had sold individual townhome units from the overall development, but only from units marketed for individual sale and not from the group of townhomes in which the subject property is located.
7. The Appellant's witness Richard C. Kirkland, Jr., MAI, a North Carolina-certified appraiser, testified that he had conducted lender-commissioned appraisals for adjoining townhome units, and that he had conducted an appraisal of the 40 townhome units that include the subject property in order to prepare his appraisal report (Taxpayer Exhibit 11). Mr. Kirkland testified that he had developed his opinion of value of \$5,260,000 as of January 1, 2020 for the 40 townhome units by considering all three approaches to value (cost, income, and sales comparison), and by comparing the 40 townhomes to apartments and to a set of "packaged townhomes." Mr. Kirkland testified that the individual townhomes within the group of 40 would have somewhat different incomes, but that removing one "general" type of unit would indicate a value of \$5,128,500 for the 39 units comprising the subject property.
8. Mr. Kirkland testified further that he had relied primarily upon the income approach in developing his opinion of value, and that he had chosen multifamily properties as being most comparable to the subject. He explained that he had always considered these properties as a single property, and expressed his opinion that it would be easier for investors to buy such properties as a package, rather than as individual properties.
9. During cross-examination, Mr. Kirkland testified that, in developing his opinion of value, he had not considered the sale of individual units from the subject property, because he believed the most probable buyer of the subject property to be one that would operate the subject property as apartments. Responding to questions from the Commission, Mr. Kirkland stated that there are individually-owned townhomes within the subject property's subdivision, but that he had conducted no analysis of individual sales, and agreed that he would have to consider a bulk discount rate in comparing package sales to individual property values.

10. The Appellant's witness Alexander T. Keith, a North Carolina-certified appraiser, testified as to the appraisal and report that he prepared for the 40 townhome units that include the subject property (Taxpayer Exhibit 12), in which report he indicated his opinion of value of \$5,200,000 as of January 1, 2020 for the 40 townhome units. During the hearing, Mr. Keith testified as to his opinion that, since this figure represented an average value of \$130,000 for each of the 40 units, the indicated value for 39 typical units would be approximately \$5,070,000.
11. Mr. Keith testified that his appraisal report was restricted in its form due to time constraints, and that he had not developed the cost approach in conducting his appraisal because, in his opinion, the cost approach is rarely relied upon for this property type. In response to questioning from the Commission, Mr. Keith clarified that, even though the subject property consists of individually-platted townhome parcels, he considered that a participant in the market would focus primarily on the income streams generated by the subject property as a whole, and would therefore be less concerned with the cost to construct the townhomes, or even with the sales of neighboring individual townhomes.
12. Mr. Keith testified that he had not viewed the subject property as individual single-family homes, because he considered that an investor would be the most appropriate buyer for the subject property as a whole. He testified further that he had not considered the sales of individual townhomes in the context of his appraisal report's sales comparison analysis. Mr. Keith did explain that he had conducted a sellout analysis of the 40 townhomes (by which the cash flows from the sales of individual units are discounted to a present value), but that his analysis was only a part of his appraisal workfile and not included in his appraisal report because, in his opinion, the discount rate and several other variables necessary for a reliable sellout analysis were difficult to predict accurately. Mr. Keith testified that he would therefore not rely upon his sellout analysis.
13. The County's witness, Jeremy Conn, the Wake County Tax Administration department's Appraisal Manager, was admitted without objection as an expert in residential and commercial real property appraisal. Mr. Conn testified that the subject property consisted of 39 individual two-story townhomes, each on a separately platted parcel in accordance with the subdivision plats prepared for and recorded by the developer. He testified further that there are approximately 56,000 townhomes located in Wake County, and that each is on its own separately platted parcel; each has an individual legal description; and each is separately appraised by the County, primarily relying upon the sales comparison approach.

14. Mr. Conn distinguished the subject property from apartment complexes by noting that apartment complexes do not have separately platted parcels for each individual living unit, and that apartment complexes demonstrate other indications of control over the property as a whole, such as control over amenities, signage, and other units within the community. Mr. Conn testified that, for the subject property, the Appellant controls only the rental of the units it specifically owns, but not the other residential units in the community, and not the community amenities or signage.
15. Mr. Conn testified as to his opinion that, while the subject property may be operated by the Appellant for residential rental purposes, the income approach to appraising the subject property is not the best approach because individually-platted townhomes are typically bought and sold on an individual basis, and not as a package of individual rental units. Mr. Conn testified further that there were fifteen to seventeen such sales of individual townhomes in the same neighborhood as the subject property for each of the two years prior to the January 1, 2020 reappraisal.
16. In reviewing the appraisal reports (Taxpayer Exhibits 11 and 12) prepared by the Appellant's witnesses, each of which compared the subject property only to apartment complexes and similar properties, but not to individually-platted townhome transactions, Mr. Conn testified as to his opinion that each report contained deficiencies that resulted in insufficient support for the value opinions each expressed.
17. In his review of Taxpayer Exhibit 11, Mr. Conn testified as to his opinion that the income approach capitalization rate data supplied in the appraisal (see, for example, pp. 94-96) indicated a clearly declining capitalization rate that did not support the capitalization rate chosen for the report.
18. Mr. Conn noted further that appraisal adjustments made in the Taxpayer Exhibit 11 report were, in his opinion, inaccurate, and cited examples from page 70 of the report that listed one sale that occurred after the appraisal date of January 1, 2020; another sale that listed a negative adjustment for size, in apparent conflict with the written explanation provided in the report; and another sale that appeared to him to be in a location inferior to that of the subject property, but without any corresponding location adjustment.
19. Mr. Conn noted further that expense estimates used on page 98 of the Taxpayer Exhibit 11 report were, in his opinion, unsupported by the history of the operation of the subject property as shown on pages 88-91 of the report, and offered examples such as the choice of nearly \$12,000 for the insurance expense estimate, when the property actually only historically

incurred a maximum of approximately \$9,700 for insurance expenses; the choice of nearly \$4,373 for the utilities expense estimate, when the property actually only historically incurred a maximum of approximately \$2,900 for insurance expenses; and the choice of approximately \$600 per unit for the capital reserves estimate, but without historical support for this choice. Mr. Conn testified that, in his experience, he had never seen a capital reserves estimate higher than approximately \$350 per unit, and noted further that the lender commitment letter offered as Taxpayer Exhibit 9 indicated the lender's requirement of only \$250 per unit for an estimate of capital reserves.

20. Mr. Conn summarized his review of Taxpayer Exhibit 11 by offering his opinion that the overall deficiencies in the appraisal report, such as those described relating to comparable sales, operating expenses, and capitalization rate estimation, all demonstrated that the report did not support the expressed \$5,260,000 opinion of value.
21. In his review of Taxpayer Exhibit 12, Mr. Conn testified as to his opinion that the sales comparison approach provided in that report (see page 27, et seq.) failed to account for differences in age or number of units between the subject property and the properties offered as comparable. He noted further that the properties offered as comparable had sold for prices ranging from approximately \$96,000 per unit to approximately \$140,000 per unit, and that the report simply stated the conclusion that \$117,000 was an appropriate per-unit sale price without explanation. Mr. Conn testified that the report similarly expressed sale price in terms of unit square feet, but without explanation, as if some rate were simply chosen at random from the pool of data.
22. As to the income approach provided in Taxpayer Exhibit 12, Mr. Conn noted an apparent inconsistency in the overall expense ratio estimate chosen (42.67% on page 41), compared to the information from page 38 of the report indicating that the appropriate overall expense ratio for a 10-year-old property such as the subject property would actually be approximately 32%. Mr. Conn noted further that page 41 of the report lists \$38,063 as a one-year expense for capital repairs, and testified that the normal practice for estimating large, atypical expenses is to treat them as prorated, annualized capital reserves. Mr. Conn explained that the \$38,063 expense for 40 units would equate to approximately \$951.58 per unit, and reiterated his opinion that capital reserve expenses are typically in the \$200 to \$300 range per unit, per year, as described in additional detail above.
23. Finally, Mr. Conn testified that the capitalization rate chosen and listed on page 40 of the Taxpayer Exhibit 12 report included properties of widely varying age (built from 1950 to

2015), and included sales going back as far as 2010. Mr. Conn expressed his opinion that there was insufficient analysis in the report to support the chosen capitalization rate, given the breadth of the data pool.

24. In discussing his analysis of the County's appraisal of the subject property, Mr. Conn described the specific area of the 40 townhome properties that include the subject property (see, for example, County Exhibit 1-B), as well as the location of the subject property within the overall townhome development consisting of 248 townhome properties (see, for example, County Exhibit 1-C). He testified that approximately 98 of the 248 total townhomes in this section were owned (as of the date of the January 1, 2020 reappraisal) by multi-townhome owners, and that the remaining 150 units were individually owned (noting that there was one case in the group of 150 where a single owner owned two townhomes). Mr. Conn testified as to his opinion that since approximately 60% of all of the townhomes in the subdivision were owned by single-unit owners, and since there were 17 sales of individually-owned townhomes in 2018 and 15 sales of individually-owned townhomes in 2019, all from the pool of 248 townhomes, that the sales comparison approach was the best method for appraising all of the townhomes within the development.
25. Mr. Conn described all of the townhomes within the subject property's development as being very similar as to year built, and as to the design and quality of construction. He noted that there are essentially three variations among the townhomes in the development, with two such variations providing differences based primarily on their respective sizes (variation "A" having approximately 1,207 square feet per unit and variation "B" having approximately 1,292 square feet per unit, and both variations having two bedrooms and 2.5 bathrooms), and the third variation ("C") being a three-bedroom, 2.5 bathroom model having approximately 1,343 square feet per unit, and with a one-car garage unit included. Mr. Conn testified that he had selected one of each of the three model variations from the subject property, and had appraised each based on the sales comparison approach, using same- or similar-model sales from within the overall neighborhood. The three models chosen are shown and described in County Exhibit 2-B.
26. County Exhibit 2-C.1a provides a comparable sales adjustment grid that compares the chosen variation "A" example from the subject property with the sales of three other properties offered as comparable to the subject variation "A," including adjustments to the comparable sale prices for actual or effective age and for the fact that two of the comparable sale models included fireplaces, whereas the subject variation "A" did not. Mr. Conn testified as to his conclusion

that the adjusted sale prices indicated a value of \$146,500 for the subject variation “A,” and noted that County’s assessed value for the subject variation “A” was actually \$143,879.

27. County Exhibit 2-C.2a provides a comparable sales adjustment grid that compares the chosen variation “B” example from the subject property with the sales of three other properties offered as comparable to the subject variation “B,” including adjustments to the comparable sale prices for actual or effective age and for the fact that one of the comparable sale models included a fireplace that the other comparable sale models and subject variation “B” did not have. Mr. Conn testified as to his conclusion that the adjusted sale prices indicated a value of \$159,000 for the subject variation “B,” and noted that County’s assessed value for the subject variation “B” was actually \$154,313.
28. County Exhibit 2-C.3a provides a comparable sales adjustment grid that compares the chosen variation “C” example from the subject property with the sales of three other properties offered as comparable to the subject variation “C,” including adjustments to the comparable sale prices for actual or effective age and for the fact that one of the comparable sale models included an outdoor feature that the other comparable sale models and subject variation “C” did not have. Mr. Conn testified as to his conclusion that the adjusted sale prices indicated a value of \$178,500 for the subject variation “C,” and noted that County’s assessed value for the subject variation “C” was actually \$166,498.
29. Mr. Conn testified as to his opinion that the sales comparison approach that he had developed supported the County’s total value of \$5,960,110 for the subject property. We note that the values indicated for each of the three variations listed above are actually higher than the County’s assessed value, suggesting that the total indicated value for the subject property could actually be greater than the County’s total assessed value.
30. Mr. Conn testified further that he had developed an income approach to valuing the subject property, based on rental income for the subject property that was provided in the appraisal report prepared by the Appellant’s witness (County Exhibit 3-A). Mr. Conn testified that, from this information, he selected the most recent lease dates (with respect to the January 1, 2020 appraisal date) for each of the three primary townhome variations, as described above. Mr. Conn testified that he then compared the average lease rate for each of the three townhome variations with the most recent sales (with respect to the January 1, 2020 appraisal date) of the respective townhome variations within the neighborhood of the subject property, and concluded that the correlation between monthly rental rates and sale prices for all variations of townhome within the subject property’s neighborhood was a factor of 140. That is to say, the

typical sale price for each townhome variation was approximately 140 times the typical monthly rental rate for each townhome variation (see County Exhibits 3-B and 3-C).

31. Mr. Conn testified that applying the Gross Monthly Rent Multiplier (“GMRM”) of 140 to the average recent monthly rental rate for all of the 39 individual townhome units comprising the subject property resulted in a total indicated value of \$6,370,000 for the subject property (County Exhibit 3-D). We note that the individual unit values for each of the three townhome variations, according to the County’s income approach, indicates a value of \$150,500 for the subject variation “A” properties; a value of \$161,000 for the subject variation “B” properties; and a value of \$178,500 for the subject variation “C” properties. We note further that each of these values is generally consistent with the values indicated by the sales comparison approach.
32. In developing the income approach to appraising property, we find that the correlation between income and value can be expressed in more than one way. While direct capitalization of net operating income is one way to express the relationship, this method requires adequate analysis of sufficient market data for relevant income-producing property in order to derive appropriate components of the calculation, including market-based expense ratios and capitalization rates. Applying a market-based factor, or multiplier, to gross market rental rates is also a valid method to express the relationship between income and value. While the multiplier-based method is often less detailed than the direct capitalization method, it is no less a valid method, and it is less subject to error that may be introduced by the inadequacies of data or analysis that are critical to a reliable value based on the direct capitalization method.
33. We find that the subject property is properly appraised as a collection of individual units that happen to be held by the same owner, and not as a single property with multiple units. Virtually all of the Appellant’s valuation analysis of the subject property depends upon its characterization as an apartment or similar multiunit complex. However, the subject property was intentionally developed, and at least in part by the Appellant, as a group of individual properties that happen to be contiguous. Unlike with an apartment or similar multiunit complex, the individual units comprising the subject property can each be readily sold in its present state, should the owner so choose. The owner’s choices regarding the property, such as to whether or not to sell individual units; how to operate the subject property; or what rental rates to charge are not significantly relevant to the market value of the subject property, especially when the predominate use and market for individual townhomes in the same neighborhood as the subject property indicates that these properties are typically bought and sold on an individual basis, and when there is substantial market data in support of this

treatment of individual townhomes. We note that, even though at least one of the Appellant's lenders appeared willing to consider the subject property as a single unit, the evidence indicates that the appraisal commissioned by that lender produced a value that was much more in line with the County's value than with the values contended by the Appellant in this matter. Accordingly, we give little weight to the Appellant's evidence regarding the value of the subject property, because that evidence is based upon properties that are substantially different from the subject property; because the Appellant failed to adequately consider appraising the subject property as a collection of individual units; and because the evidence demonstrates that a contemporaneous appraisal conducted for the Appellant's lender indicated a value substantially exceeding the Appellant's contention of value for purposes of this appeal.

34. We find that the County's appraisal of the subject property is consistent with the current market for the individual townhomes comprising the subject property. We find further that the County has demonstrated, through competent, material, and substantial evidence, that its values for the subject property are well supported and produce true value. Accordingly, we find that the true value of the subject property is that as listed above in Table A.

BASED UPON THE FOREGOING FINDINGS OF FACT, THE PROPERTY TAX COMMISSION CONCLUDES AS A MATTER OF LAW:

1. The Commission has jurisdiction over the parties and the subject matter of this appeal and has the authority to correct any assessment of real property when it is shown to be based upon an arbitrary or illegal method of valuation and that the valuation substantially exceeds the true value in money.
2. "True value" is defined in N.C. Gen. Stat. §105-283, and N.C. Gen. Stat. §105-317(a) provides specific elements of value that are to be considered when appraising real property in order to determine its true value.
3. N.C. Gen. Stat. §105-317 "has been interpreted as authorizing three methods of valuing real property: the cost approach, the comparable sales approach, and the income approach."⁶
4. Neither party offered evidence regarding the cost approach.
5. Although the Appellant offered evidence regarding the sales comparison approach and the income approach, this evidence was based upon the Appellant's underlying assumption that the subject property was properly characterized as a single unit. Although we recognize that this assumption could be relevant if the individual units had been developed as a single parcel—we note that the County's witness testified that the County would have considered

⁶ *In re Greens of Pine Glen Ltd.*, 356 N.C. 642, 648, 576 S.E.2d 316, 320 (2003)

and appraised the subject property as a single unit, had it been developed as a single unit, rather than as individual units—N.C. Gen. Stat. §105-317(c) requires the assessor “to see that...[e]ach lot, parcel, tract, building, structure and improvement be separately appraised.” We conclude, therefore, that separate appraisal of the individual parcels comprising the subject property is not only a sound appraisal practice, but also required by statute. Because the Appellant’s appraisal evidence does not conform to the statutory requirements, the Commission cannot rely upon that evidence in order to establish a different set of values for the subject property.

6. The County did not move to dismiss the appeal at the close of the Appellant’s evidence, which we construe to mean that the County conceded the Appellant’s rebuttal of the presumption of correctness afforded the County’s value. However, the County was able to demonstrate that its methods produced true value by offering market-based evidence that the subject property’s true value is consistent with the value at which it was assessed, and that the appraisal of the subject property was performed in compliance both with recognized professional appraisal standards and with statutory requirements. Accordingly, we conclude that the County has met its burden.

WHEREFORE, the Commission orders and decrees that the Board’s decisions, determining the values of the subject property to be as shown in Table A above for the 2020 tax year, are hereby affirmed.



NORTH CAROLINA PROPERTY TAX COMMISSION

Robert C. Hunter, Chairman

Vice Chairman Wheeler and Commission Members
Guess and Michaux concur.

ATTEST:

Stephen W. Pelfrey, Commission Secretary

Date Entered: 4/29/2022