

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:

UNIFI MANUFACTURING, INC.,
Appellant,

17 PTC 0246

From the decision of the Yadkin 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 in the City of Raleigh, Wake County, North Carolina on Tuesday, October 1, 2019, pursuant to the Appellant’s appeal from the decision of the Yadkin 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.

Attorneys Janet L. Shires and George T. Smith, III, appeared on behalf of Yadkin County (“County”). Attorneys Charles E. Raynal and Collier R. Marsh appeared on behalf of the Appellant.

STATEMENT OF THE CASE

The property under appeal is a textile manufacturing facility located at 1641 Shacktown Road in Yadkinville, Yadkin County, North Carolina. The property is identified by the County by Parcel Number 132507. The Appellant disputed the January 1, 2017 assessed value of the subject property as determined by the County, and appealed said value to the Yadkin County Board of Equalization and Review (“Board”). On May 23, 2017, the Board determined the value of the subject property to be \$27,450,241, and mailed notice of its decision to the Appellant on June 5, 2017. The Appellant appealed the decision of the Board by filing its Notice of Appeal and Application for Hearing with the Commission on June 30, 2017. In said Notice and Application, the Appellant stated the opinion that the true value of the property was actually \$19,900,000.

ANALYSIS AND ISSUES

A county's ad valorem tax assessment is presumed to be correct.¹ 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".² 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.³

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 appraisal of conflicting and circumstantial evidence.⁴

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

1. The County's most recent general reappraisal was effective as of January 1, 2017.

¹ In re Amp, Inc., 287 N.C. 547, 563, 215 S.E.2d 752, 762 (1975).

² *Id.* (capitalization and emphasis in original).

³ 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.204 (2010).

⁴ In re Parkdale Mills, 225 N.C. App.713, 741 S.E.2d 416 (2013).

2. The improvements upon the subject property include a multi-story tower (the "F1" tower) designed to house and facilitate the process by which raw materials are extruded into polyester fibers. These fibers are further processed in another area of the subject property to create a textured polyester yarn.
3. The Appellant's witness Sohan Mangaldas, admitted without objection as an expert in textile global markets, testified that U.S.-based producers of the polyester yarn produced at the subject property were less and less able to compete with foreign manufacturers. Mr. Magaldas testified further that U.S. production of this type of polyester yarn now represents only 1.5%, or less, of total global production and that, as a result, there would be "no demand to purchase" the subject property for the purpose of continuing its current operations.
4. The Appellant's witness M. Scott Smith, admitted without objection as an expert in real property appraisal, testified that he had developed all three approaches to value (cost, sales comparison, and income) for the subject property, and reconciled all three approaches to arrive at an opinion of value of \$16,060,000 for the subject property, which was the same value he developed through his sales comparison analysis. Mr. Smith testified further as to his opinion that the highest and best use of the property would be continued industrial use, although not necessarily its current use.
5. Mr. Smith explained his opinion that the property suffered from significant obsolescence, in part because the F1 tower represented an older technology for extruding fiber, and that the F1 tower would not likely be of value to a prospective purchaser of the subject property. He testified that there would in any event be a "small buyer pool" for a property like the subject. He further explained that his opinion of value considered only the ground floor area of the F1 tower, and that the net value of the subject property would be \$14.75 per square foot, based on the total figure of \$16,060,000.
6. The Appellant's witness Douglas M. Faris, admitted without objection as an expert in industrial real estate brokerage, testified as to his opinion that the subject property would be a challenge to sell. He explained that the subject property would be difficult to adapt to an alternate use in the hands of a different owner; for example, the F1 tower would be "useless" for a different manufacturing operation, and even the remainder of the property

was much larger than most manufacturing operations would require, so that there would be very few buyers for a property like the subject.

7. Mr. Faris testified further that the layout and other characteristics of the facility made it inappropriate for alternative uses such as warehouse or office space: the depth of the main building, its interior walls, sprinkler systems, ceiling height, amount of office space, and heavy refrigeration were all features that complemented the current use of the facility, but that would be obstacles to alternative uses.
8. Mr. Faris testified as to his opinion that the location of the subject property also impacted its marketability, because there is generally little demand for large industrial tracts in smaller communities. He stated his opinion that an appraisal value of \$14-\$15 per square foot of usable space was reasonable and consistent with its probable list price.
9. The County's witness Ronald S. McCarthy, admitted without objection as an expert in the ad valorem appraisal of industrial property, testified that he had appraised the subject property based upon the County's Schedule of Values adopted for the 2017 reappraisal, and that he had developed the Schedule of Values for the County. Mr. McCarthy testified that the County's Property Record Card ("PRC") for the subject property was his appraisal report, and that he had not prepared a sales comparison approach or an income approach in developing his appraisal for the subject property.
10. The PRC (see, for example, County Exhibit 1) listed various features for the property, and illustrated how each feature contributed to the County's total value of \$27,450,241 (also expressed by the County as \$20.74 per square foot) for the subject property. In support of this value, Mr. McCarthy testified that he had separately developed a value for the subject property using the Marshall Valuation Service, which indicated a (cost approach) value for the property of approximately \$31,200,000. Mr. McCarthy further testified that he had analyzed the County's tax values for other industrial properties located within Yadkin County to determine whether they had been assessed in a manner similar to the subject property.
11. The County's Exhibit 9-D lists five sales offered by the County as comparable to the subject property, with sale prices per square foot ranging from \$19.96 to \$45.24, and having an average sale price per square foot of \$31.04. Mr. McCarthy testified that the sale prices had been verified to ensure that none included bankruptcy, foreclosure, or

contamination issues. The Appellant's witness Mr. Faris testified that he had been personally involved in most of the five sales transactions, and contended that none of the properties were comparable to the subject property in terms of size; that the Kings Mountain property was an income-producing property and had been purchased for the value of its cash flow; that the Indian Land, SC property was located in an active market near Charlotte, North Carolina; and that the Winston-Salem property transaction, involving significant incentives, was also in a better market than the subject property.

12. Of the three approaches to value recognized by the North Carolina courts (i.e., the cost, income, and "comparable sales" approaches⁵), we find that the income approach is one of the least relevant here because the subject property is not income-producing, but is owner-occupied, as would be expected for similar manufacturing facilities. The cost approach is often more challenging than the other approaches to develop accurately, and is therefore typically used as a test of reasonableness for a value developed by one of the other methods. We determine for this case that there is a limited market for the subject property, but that the sales comparison approach is the one most likely to produce true value for the subject property.
13. Although the County offered sales information in support of its value, it did not actually develop a sales comparison approach. It is impossible to tell from the information presented by the County whether and to what extent any adjustments, such as for size and location, should be made to the sale prices to reflect differences between each sale property and the subject property. Accordingly, we cannot determine whether these sales are actually comparable to the subject property.
14. Although the County offered a reconstructed cost estimate of the subject property using MVS, there is virtually no support for the functional and economic obsolescence estimated in the calculation, and no explanation of such obsolescence, to the extent that either or each affects the value of the subject property.
15. The County has raised potential issues regarding the property sales relied upon by the Appellant in developing its sales comparison approach, but we nonetheless find the Appellant's sales comparison analysis to be more comprehensive than the County's. While

⁵ See, for example, *In re Greens of Pine Glen Ltd.*, 356 N.C. 642, 648, 576 S.E.2d 316, 320 (2003). The "comparable sales" approach is more commonly known as the "sales comparison" approach, and that term is primarily used herein.

there may or may not be issues with the choice of sales offered as comparable by the Appellant, we determine that the Appellant's comparable sales are the best evidence offered in this matter as to the true value of the subject property.

16. We determine that, for this case, the sales comparison approach relied upon most heavily by the Appellant is more appropriate than the cost approach developed by the County in estimating the true value of the subject property.
17. Because the Appellant has developed and articulated each of the three approaches to value, and because each of the three approaches appear to be supportive of the Appellant's final opinion of value, and because the final opinion of value relied most heavily on the sales comparison approach, we determine that the Appellant has produced the better explanation of its value. Accordingly, we determine that the true value of the subject property, as of January 1, 2017, is \$16,060,000.

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. A county's ad valorem tax assessment is presumptively correct.⁶ The taxpayer rebuts this presumption by presenting "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.⁷
3. The Appellant offered competent, material, and substantial evidence that the Board's value of \$27,450,241 substantially exceeded the true value of the subject property, when the Appellant's evidence indicated that the true value of the subject property was \$16,060,000, some 40% less than the assessed value.

⁶ In re Amp, Inc., 287 N.C. 547, 215 S.E. 752 (1975).

⁷ Id.

4. "An illegal appraisal method is one which will not result in true value as that term is used in N.C. Gen. Stat. § 105-283...."⁸ The Appellant offered competent, material, and substantial evidence that the County's appraisal method was illegal when the tax value was nearly twice the value suggested by the Appellant's evidence.
5. The Appellant rebutted the presumption of correctness of the assessment of the subject property by the County when the Appellant offered competent, material, and substantial evidence that the County used an illegal appraisal method, and that the County's assessment of the subject property substantially exceeded its true value.
6. Since the Appellant rebutted the presumption of correctness, the burden then shifted to the County to demonstrate that its methods produced true values.
7. The County was not able to demonstrate that its methods in appraising the subject property produced true value when it did not sufficiently explain how any of the three approaches to value supported the tax value assigned by the Board to the subject property.

WHEREFORE, the Commission herewith orders that the 2017 tax value of the subject property be changed to \$16,060,000, and that the Yadkin County abstracts and tax records be changed to give effect to this decision.



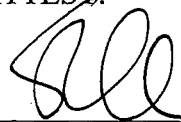
NORTH CAROLINA PROPERTY TAX COMMISSION


 Robert C. Hunter, Chairman

Vice Chairman Wheeler and Commission Members
 Peaslee, Guess, and Michaux concur.

Date Entered: 11.21.19

ATTEST:


 Stephen W. Pelfrey, Commission Secretary

⁸ In re Appeal of Southern Railway Co., 313 N.C. 177, 328 S.E.2d 235 (1985).