

<p><b>BOARD OF ASSESSMENT APPEALS, STATE OF COLORADO</b> 1313 Sherman Street, Room 315 Denver, Colorado 80203</p> <hr/> <p>Petitioner:</p> <p><b>CARGILL, INC.</b></p> <p>v.</p> <p>Respondent:</p> <p><b>MORGAN COUNTY BOARD OF EQUALIZATION.</b></p>	<p><b>Docket No.: 45275</b></p>
<p><b>ORDER</b></p>	

**THIS MATTER** was heard by the Board of Assessment Appeals on October 23, 2006, Sondra W. Mercier and Lyle D. Hansen presiding. Petitioner was represented by Joseph J. Bronesky, Esq. Respondent was represented by George N. Monsson, Esq. Petitioner is protesting the 2005 actual value of the subject property.

**PROPERTY DESCRIPTION:**

Subject property is described as follows:

**1505 E. Burlington Avenue, Fort Morgan, Colorado  
Morgan County Schedule Nos. R007599, R017396, R018380, R007598, and R016138**

The subject property consists of a 579,601 square foot multi-sectional industrial meat processing building with years of construction ranging from 1965 to 2004, 18,764 square feet of miscellaneous support buildings, and a wastewater treatment facility situated on a 113.927-acre site.

Respondent assigned an actual value of \$29,774,760 to the subject property for tax year 2005. Petitioner is requesting a 2005 actual value of \$14,500,000.

Respondent relied on the values that County Assessors in Nebraska assigned to four beef packing plants located in Nebraska. Respondent asserts that this methodology is valid because the values assigned to the Nebraska properties are based on professional evaluations made by public officials for tax purposes.

Petitioner presented the following indicators of value:

Market Approach:	\$13,600,000
Cost Approach:	\$15,500,000
Reconciliation of Value:	\$14,500,000

Petitioner utilized *Marshall Valuation Service* data to arrive at a cost new for the main building of \$49,497,925, including refrigeration equipment valued at \$7,508,000. Petitioner deducted 64% for physical depreciation, 5% for functional obsolescence, and 20% for economic/external obsolescence. Physical depreciation was based on an effective age of 29 years and economic life of 45 years. The refrigeration equipment was depreciated separately at a rate of 50%. Petitioner presented a total depreciated value for support buildings of \$590,000 and a total depreciated value for site improvements of \$5,092,500.

Petitioner presented five comparable land sales. Two of the comparable land sales occurred beyond the appropriate base period. The three land sales which occurred within the extended base period ranged in price from \$9,533 per acre to \$9,585 per acre and in size from 3.0 acres to 14.79 acres. Petitioner concluded to a land value of \$20,000 for the 39.487 acre main plant site and a land value of \$9,000 for the remaining 74.440 acres, resulting in a total land value of \$1,460,000 or an average of \$12,815 per acre.

For the market approach, Petitioner conducted a national search for sales of industrial buildings that were utilized for either meat processing or food processing. Petitioner presented 10 comparable sales, eight of which sold within the extended base period. The eight comparables ranged in improvement size from 200,176 to 685,305 square feet, in land size from 20.71 acres to 121.89 acres, and in sales price from \$6.86 to \$27.62 per square foot. After adjustments, Petitioner determined an indicated value range of \$12,751,000 to \$14,490,000 or \$22 to \$25 per square foot, concluding to a value of \$13,600,000 for the subject property.

Petitioner presented sufficient probative evidence and testimony to prove that the subject property was incorrectly valued for tax year 2005.

Pursuant to C.R.S. 39-1-103 (5) (a):

“The actual value of such property, other than agricultural lands exclusive of building improvements thereon and other than residential real property and other than producing mines and lands or leaseholds producing oil or gas, shall be that value determined by appropriate consideration of the cost approach, the market approach, and the income approach to appraisal. The assessor shall consider and document all elements of such approaches that are applicable prior to a determination of actual value.”

The Respondent did not consider the cost approach, the market approach or the income approach in valuing the subject property. The methodology that Respondent utilized is not consistent with standard appraisal practice and does not provide a reliable indication of value.

The cost approach typically provides the most accurate indication of value for special use properties such as the subject. In determining the value of the subject property, the Board utilized many components of Petitioner's cost approach as they were well substantiated and reasonable. However, the Board disagreed with Petitioner's calculations for physical depreciation of the main building and the land value. The economic life of the main building is 45 years and Respondent's data indicates a weighted average age of 25 years, resulting in a 55% reduction for physical depreciation. The only land sales presented that can be considered provide a very narrow range of prices per acre (\$9,533 to \$9,585). Thus, the Board utilized \$9,500 per acre for the 113.927-acre site. The recalculated value of the subject property based on the cost approach is as follows:

Building Cost New	\$49,497,925	
Less: Refrigeration	<u>(7,508,000)</u>	
Total Building Cost New		\$41,989,925
Less: Depreciation		
Physical – 55%	(\$23,094,459)	
Functional – 5%	(2,099,496)	
Economic/External – 20%	<u>(8,397,985)</u>	
Total Depreciation		<u>(\$33,591,940)</u>
		\$8,397,985
Plus: Depreciated Items		
Refrigeration	\$3,754,000	
Misc. Support Bldgs.	590,000	
Site Improvements	<u>5,092,500</u>	
Total Additional Items		<u>\$9,436,500</u>
Total Cost of Improvements		\$17,834,485
Plus: Land Value at \$9,500/Acre		<u>\$1,082,306</u>
Total Indicated Value by the Cost Approach		\$18,916,791

**ORDER:**

Respondent is ordered to reduce the 2005 actual value of the subject property to \$18,916,791.

The Morgan County Assessor is directed to change his/her records accordingly.

**APPEAL:**

Petitioner may petition the Court of Appeals for judicial review within 45 days from the date of this decision.

If Respondent alleges procedural errors or errors of law by this Board, Respondent may petition the Court of Appeals for judicial review within 30 days from the date of this decision.

DATED and MAILED this 19<sup>th</sup> day of January 2007.

BOARD OF ASSESSMENT APPEALS

*Sondra W. Mercier*

Sondra W. Mercier

*Lyle D. Hansen*

Lyle D. Hansen

This decision was put on the record

**JAN 19 2007**

I hereby certify that this is a true and correct copy of the decision of the Board of Assessment Appeals.

*Penny S. Lowenthal*  
Penny S. Lowenthal

