

STATE OF NORTH CAROLINA  
COUNTY OF WAKE

BEFORE THE PROPERTY TAX COMMISSION  
SITTING AS THE STATE BOARD OF  
EQUALIZATION AND REVIEW  
99 PTC 202

IN THE MATTER OF:  
APPEAL OF THE LANE COMPANY-  
HICKORY CHAIR DIVISION  
from the decision of the Catawba  
County Board of Equalization  
and Review concerning real  
property taxation for tax year  
1999.

**FINAL DECISION**

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This matter was heard before the North Carolina Property Tax Commission (hereinafter "Commission"), sitting as the State Board of Equalization and Review in the City of Raleigh, Wake County, North Carolina, at its regularly scheduled Session of Hearings on April 18 and 19, 2001, pursuant to the appeal of **The Lane Company-Hickory Chair Division** (hereinafter "Taxpayer") from the decision of the Catawba County Board of Equalization and Review (hereinafter "County Board") concerning real property taxation for tax year 1999.

Terry L. Wheeler presided over the hearing with Vice Chairman R. Bruce Cope and Commissioners Linda M. Absher, Wade F. Wilmoth and Harvey W. Raynor, III participating.

John A. Cocklereece, Jr., attorney at law represented the Taxpayer at the hearing; Jerry E. Hess, attorney at law, appeared on behalf of Catawba County.

**STATEMENT OF CASE**

The property, subject to this appeal, is located at 37 9<sup>th</sup> Street, S.E., Hickory, Catawba County, North Carolina, and is identified by the county's property tax records as parcel number 3713-17-11-8384.0000. The subject property is more particularly described as an irregular-shaped parcel of land containing 10.54 acres that is improved with a multi-story masonry and frame manufacturing facility consisting of approximately 573,980 square feet plus a maintenance building with 3,750 square feet. The subject improvement was built in stages from the 1920's through the 1960's, with one addition as recent as 1980. The subject property is used as the manufacturing facility of the Hickory Chair Company. As a result of Catawba County's countywide general reappraisal, effective January 1, 1999, the county tax office assessed the subject property for ad valorem tax purposes at a total value of \$3,820,000; \$3,360,900 for the improvements and \$459,100 for the land. The Taxpayer appealed this assessment of the subject

property to the County Board and requested a hearing. The County Board affirmed the assessment of the subject property, finding that the assessment was correct, and ordered no change in the value. Upon receipt of the County Board's decision, the Taxpayer filed a timely appeal with the Commission.

At the hearing, the Taxpayer, through counsel, contended that the subject property was appraised in excess of its true value in money. The Taxpayer further contended that the true value in money of subject property as of January 1, 1999 was \$2,020,000; \$1,677,500 for the improvements and \$342,500 for the land.

At the hearing, Catawba County, through counsel, advised the Commission that the total value of the subject property should be \$3,459,500. This decreases the total assessment of the subject property by \$360,500. After making this downward adjustment to the value of the subject property, Catawba County contended that the subject property was appraised in accordance with the County's duly adopted schedules of values, standards, and rules for the 1999 countywide general reappraisal. The County further contended that all-important factors affecting the value of the subject property were considered and requested the Commission to assign a total value of \$3,459,500 to the subject property, effective January 1, 1999.

## ISSUES

The North Carolina Supreme Court has established guidelines for Property Tax Appeals in the case of In re AMP, Inc., 287 N.C. 547, 215 S.E.2d 752 (1975). The issues presented were:

1. Did Catawba County (hereinafter "County") employ an arbitrary or illegal method of appraisal in reaching the assessed value that the County Board assigned to the subject property for tax year 1999?
2. Did the County Board assign a value to subject property that **substantially** exceeded its true value in money as of January 1 for the year at issue?
3. If the two above issues are answered in the affirmative, what was the true value in money of the subject property as of January 1 for the year at issue?

Under the guidelines of AMP, *supra*, the Taxpayer has the burden of establishing that:

1. The County employed an arbitrary or illegal method of appraisal; and
2. The value assigned by the County Board was **substantially** greater than the true value in money of the property as of January 1 for the year at issue.

**FROM THE APPLICATION FILED IN THIS MATTER, ANY STIPULATIONS AND EVIDENCE PRESENTED, THE COMMISSION MAKES THE FOLLOWING FINDINGS OF FACT:**

1. The Commission has jurisdiction over the parties and the subject matter of this appeal.

2. The subject property is located on the north side of 37 9<sup>th</sup> Street Place, N.E., and the West Side of 10<sup>th</sup> Street, S.E., in the city of Hickory, Catawba County, North Carolina. The subject property adjoins the railroad right-of-way of Norfolk-Southern Railroad and is about 450 feet south of Highland Avenue, in a N.E. direction. (See appraisal report, by J. Richard Marlow, MAI, SGA, dated September 4, 2000, identified as Taxpayer Exhibit 1).

3. The subject land is an irregular-shaped parcel, containing 10.54 acres, improved with a multi-story manufacturing facility. The facility was initially erected in the 1920s, with additions in the building alterations through the 1960's with one addition as recent as 1980. The building contains approximately 573,980 square feet. Of this total building area, the corporate offices contain about 35,673 square feet. Additional finished areas include canteen and plant restrooms. The majority of the building is the manufacturing area with other areas devoted to warehouse, dry kiln, and support areas. The building area also includes 21,000 square feet of basically finished lumber storage area. (See appraisal report, by J. Richard Marlow, MAI, SGA, dated September 4, 2000, Taxpayer Exhibit 1).

4. Fifteen to sixteen additions to the subject property were constructed over the years, primarily in the 1950's and 1960's, which makes the subject an older industrial structure with varying levels from one to four stories. The overall condition of the facility is physically poor due to areas containing cracked walls and floors, sags in ceilings, and dated finishes. The subject improvement is functionally obsolete because of the varying levels, ceiling heights, and constrained bay and dock spaces. In fact, certain areas of the subject improvement are not used because of poor conditions and lack of functional utility. The overall effective age of the building is estimated to be 50 years, with a remaining useful life of approximately 15 to 20 years. (See appraisal report, by J. Richard Marlow, MAI, SGA, dated September 4, 2000, identified as Taxpayer Exhibit 1).

5. Effective January 1, 1999, Catawba County originally assessed the subject property at a total value of \$3,820,000; \$3,360,900 for the improvements and \$459,100 for the land. The Taxpayer appealed the county's assessment of the subject property to the County Board and that Board affirmed the county's value and notified the Taxpayer by written decision. At the hearing, Catawba County adjusted the total assessment of the subject property to \$3,459,500.

6. In North Carolina, counties are required to value all property, for ad valorem tax purposes, at its true value in money, which is "market value." An important appraisal factor used when establishing market value of property is to determine the highest and best use of the property. The highest and best use of the subject property, as of January 1, 1999, is its present use as an industrial property. (See Stipulation 3(c), Order on Final Pre-Hearing Conference).

7. To determine market value for the subject property, it is imperative to apply a method of valuation that will show what a willing and financially able buyer will pay for the property and what a willing seller would expect to receive from the buyer. To determine market value, there are three recognized and accepted appraisal approaches to value, the cost approach, comparable sales approach and income approach.

8. In reaching the initial assessment of the subject property at a total value of \$3,820,000, Catawba County employed the income approach to value. The income approach to value is used to measure the present worth of the future benefits of a property by the capitalization of the net income stream over the remaining economic life of the property. (See excerpts from schedules of values, rules and standards adopted for the 1999 countywide reappraisal).

9. At the hearing, the Taxpayer introduced evidence challenging the County Board's valuation of the subject property. The Taxpayer's expert witness, Mr. J. Richard Marlow, MAI, SGA, submitted an appraisal report that established his opinion of value for the subject property. In reaching an opinion of \$2,020,000 for the subject property, Mr. Marlow considered all three traditional approaches to value, but chose to exclude the income capitalization and cost approaches from his analysis. Mr. Marlow excluded the income capitalization approach from his analysis because the income capitalization approach would not reflect the motivations of buyers and sellers of properties of this type. Furthermore, when considering the highest and best use analysis, the most probable use of the subject property is by a single occupant/owner/user. Even though industrial properties are sometimes rented, it is unlikely that the subject would be purchased as an investment property. In fact, the subject property has been owner occupied since 1946. (See appraisal report, by J. Richard Marlow, MAI, SGA, dated September 4, 2000, identified as Taxpayer Exhibit 1).

10. Mr. Marlow also excluded the cost approach method to value from the analysis regarding the subject property because of the substantial accrued depreciation including physical deterioration and functional obsolescence associated with this subject improvements. Such depreciation is difficult to measure in the marketplace, and development of the cost approach would not be representative of the subject property's market value. (See appraisal report, by J. Richard Marlow, MAI, SGA, dated September 4, 2000, identified as Taxpayer Exhibit 1).

11. When determining the true value in money of the subject property, reliance upon the sales comparison approach to value would be proper because this method would reflect the expectations of buyers and sellers with regard to the subject property. The sales comparison approach is the process of estimating market value by analyzing the market activity of similar properties and comparing these properties to the subject property. Thus, the sales comparison approach is considered direct evidence of the marketplace and the subject property's position in the market. (See appraisal report, by J. Richard Marlow, MAI, SGA, dated September 4, 2000, identified as Taxpayer Exhibit 1).

12. Under the sales comparison approach, the subject property is compared with market data based upon an appropriate unit of comparison. The common and well-accepted unit of comparison for properties similar to the subject is the sales price per square foot of gross building area. Even though Mr. Marlow's investigation of the subject property's market value produced few local sales of properties, the market for the subject property is considered regional in scope. In his report, Mr. Marlow cited eight sales that he believed were representative of the market conditions for industrial buildings that would provide a strong basis for comparison with the subject property. Upon review of the sales data collected, Mr. Marlow determined that \$3.50 would be an acceptable per square foot sales price for the gross building area of for the subject property. Applying the \$3.50 per square foot sales price to the gross building of the subject property, (which is approximately 577,730 square feet), the value of the subject property as of January 1, 1999, was \$2,020,000. (See appraisal report, by J. Richard Marlow, MAI, SGA, dated September 4, 2000, identified as Taxpayer Exhibit 1).

13. The County employed an arbitrary method of appraisal in reaching the assessed value that the County Board assigned to the subject property for tax year 1999. The County's appraisal of the subject property did substantially exceed the true value in money of Taxpayer's property as of January 1, 1999.

14. The true value in money of the subject property, as January 1, 1999, was \$2,020,000.

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

1. The Commission has jurisdiction to hear this appeal and correct any assessment of real property that is based upon an arbitrary or illegal method of valuation and when such valuation substantially exceeds the true value in money.

2. In North Carolina, property must be valued for ad valorem tax assessment purposes at its "true value in money," which is statutorily defined as "market value." Specifically, G.S. §105-283 provides that:

"All property, real and personal, shall as far as practicable be appraised or valued at its true value in money. When used in this Subchapter, the words "true value" shall be interpreted as meaning market value, that is the price estimated in terms of money at which the property would change hands between a willing and financially able buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of all the uses to which the property is adapted and for which it is capable of being used."

3. Ad valorem assessments are presumed to be correct. In order for the Taxpayer to rebut the presumption of correctness, the Taxpayer must prove that the County employed an arbitrary or illegal method of valuation and that the assessment of the subject property substantially exceeded the true value in money of the subject property.

4. In accordance with G.S. §105-286, each county of this State shall reappraise properties within its jurisdiction every eighth year unless the date is advanced as provided by G.S. §105-286(a)(2). At the time of this appeal, Catawba County was conducting reappraisals of all real property within its jurisdiction at eight-year intervals.

5. It is the function of the Commission to determine the weight and sufficiency of the evidence and the credibility of the witnesses, and to draw inferences from the facts and to appraise conflicting evidence. (See In Re S. Ry., 59 N.C. App. 119, 296 S.E.2d 463, rev'd on other grounds, 313 N.C. 177, 328 S.E.2d 235 (1985)).

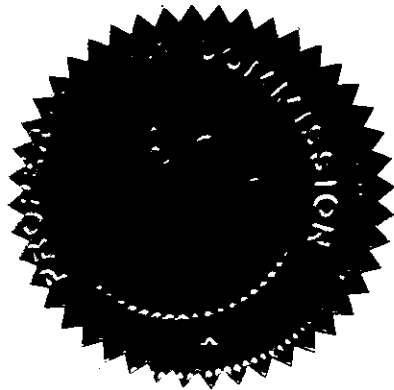
6. The Taxpayer showed by competent, material and substantial evidence that the County employed an arbitrary method of appraisal when assessing the value of the subject property for tax year 1999.

7. The Taxpayer did produce competent, material and substantial evidence that the county used an arbitrary method of valuation, and that the assessment of the subject property substantially exceeded its true value in money as of January 1, 1999.

8. The true value in money of the subject property as of January 1, 1999 was \$2,020,000.

**BASED UPON THE FOREGOING FINDINGS OF FACT AND CONCLUSIONS OF LAW THE COMMISSION NOW, ORDERS, ADJUDGES AND DECREES** that the decision of the 1999 Catawba County Board of Equalization and Review is hereby **Modified**. Catawba County is instructed to revise its tax records as may be necessary to reflect the Findings of Fact and Conclusions of Law of the Commission, in determining that the true value in money of the subject property as of January 1, 1999 was \$2,020,000; \$1,677,500 for the improvements and \$342,500 for the land.

NORTH CAROLINA PROPERTY TAX COMMISSION



R Bruce Cope  
R. Bruce Cope, Vice Chair

Commission members Absher and Wilmoth concur.  
Chairman Wheeler and Commissioner Raynor respectfully dissent  
without an opinion.

Entered: June 11, 2001

Attest: Janet L. Shires  
Janet L. Shires, Secretary