STATE OF MINNESOTA | TAX COURT

COUNTY OF HENNEPIN | REGULAR DIVISION

Abbott Laboratories Inc.,

Petitioner,

vs.

County of Hennepin,

Respondent.

FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER FOR JUDGMENT

File No.: 27-CV-23-4032

This property tax matter came on for trial before the Honorable Jane N. Bowman, Chief Judge of the Minnesota Tax Court.

Nicholas A. Furia, Law Offices of Nicholas A. Furia, PLLC, represents Petitioner Abbott Laboratories Inc.

James A. Mogen and Jennifer A. Waters, Assistant County Attorneys, represent Respondent Hennepin County.

Abbott Laboratories, Inc. (Abbott) challenges Hennepin County's valuation of the subject property and raises an equalization claim as of the January 2, 2022 assessment. The court, having heard and considered the evidence adduced at trial and the arguments of counsel, and upon all the files, records, and proceedings herein, now makes the following:

FINDINGS OF FACT

1. Abbott has sufficient interest in the 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 in Plymouth, Minnesota, with a street address of 5050 Nathan Lane North and has a PID of 12-118-22-14-0001.

3. The subject property is located on a site containing approximately 1,157,305 square feet of land area.

4. The subject property is zoned I-2, General Industrial.

5. The subject property is improved with a multi-story building of approximately 473,117 square feet. The original portion of the building, constructed between 1974 and 1975, consisted of approximately 167,646 square feet. In 2006, an addition of approximately 30,000 square feet was completed. This was followed in 2012 by a larger addition of approximately 275,471 square feet.

6. The subject property has been owner occupied since 1975.

7. The highest and best use as vacant for the subject is for industrial use.

8. The highest and best use as improved was for continued office, production, warehouse, and laboratory use.

CONCLUSIONS OF LAW

1. Petitioner submitted sufficient credible evidence, through the testimony of its expert appraiser to rebut the prima facie validity of the assessed value as of the assessment date.

2. The assessor's estimated market value for the subject property as of January 2, 2022, overstates its market value as of that date.

3. The subject property was unequally assessed as of January 2, 2022.

ORDER FOR JUDGMENT

1. The market value of the subject property as of January 2, 2022, shall be decreased from $38,850,000 to $33,750,000 (before equalization).

2. After equalization, the market value of the subject property shall be decreased from $38,850,000 to $31,830,000.

3. Real estate taxes due and payable in 2023 shall be recomputed accordingly.

IT IS SO ORDERED. THIS IS A FINAL ORDER. ENTRY OF JUDGMENT IS STAYED FOR 30 DAYS FROM THE DATE OF THIS ORDER. LET JUDGMENT BE ENTERED ACCORDINGLY.

BY THE COURT:

Jane N. Bowman

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Jane N. Bowman, Chief Judge
MINNESOTA TAX COURT

Dated: August 19, 2025

MEMORANDUM

I. THE SUBJECT PROPERTY

The parties agree on many of the subject property's physical characteristics, namely that it is in Plymouth, Minnesota, with a street address of 5050 Nathan Lane North and has a PID of 12-118-22-14-0001.[1] The subject is located on a site containing approximately 1,157,305 square feet of land area.[2] It is zoned as I-2, General Industrial.[3] The parties also agree the site is improved with a multi-story building of approximately 473,117 square feet. The original portion of the building, constructed between 1974 and 1975, consisted of approximately 167,646 square feet. In

[1] Stip. Facts ¶ 2.

[2] Stip. Facts ¶ 3.

[3] Stip. Facts ¶ 4. The Court assumes the parties intended for this fact to apply to the assessment date at issue, January 2, 2022.

2006, an addition of approximately 30,000 square feet was completed. This was followed in 2012 by a larger addition of approximately 275,471 square feet.[4] Finally, the parties agree the subject has been owner occupied since 1975.[5]

Although the parties agree on the total size of the improvements (approximately 473,117 square feet),[6] the parties disagree on how that space is apportioned amongst the building's uses (office, warehouse, production space, and laboratory space). Mr. Waytas' square footages are: 331,219 square feet of office space (~70% of the gross building area), 84,442 square feet of production space (~18% of GBA), 32,803 square feet of laboratory space (~7% of GBA), and 24,654 square feet of warehouse space (~5% of GBA).[7] For his part, Mr. Hall's square footages are: 301,727 square feet of office space (~64% of GBA), 23,702 square feet of warehouse space (~5% of GBA), 113,558 square feet of research and development/manufacturing space (~24% of GBA), and 34,130 square feet of mechanical/other (~7% of GBA).[8] We note here that we need not determine whether the office space is 70% (Waytas) or 64% (Hall) of GBA. Instead, it is sufficient

[4] Stip. Facts ¶ 5.

[5] Stip. Facts ¶ 7. Despite agreeing to the subject's owner/user occupancy status, the County brought a motion to dismiss this action for failing to abide by the mandatory disclosure requirements for income-producing properties. *See* Trial Tr. 372-73 ("The county moves for a dismissal pursuant to Section 278.05, subdivision 6 for failure to provide income and expense data."), *and* Minn. Stat. § 278.05, subd. 6 (2024) (requiring disclosure of certain information concerning income-producing properties). The court denied the motion, without prejudice, for failing to abide by the court's time and filing requirements for dispositive motions. *See* Minn. R. 8610.0070, Subp. 5 (2025) (requiring service and filing of motion documents at least 28 days prior to a dispositive motion hearing). The county later declined to reassert the motion. Trial Tr. 378-79; Ltr. from James A. Mogen to Court Admin. (dated May 16, 2025).

[6] Stip. Facts ¶ 5.

[7] Ex. 2 at 39-40.

[8] Ex. A at 6, 27.

to find that the property's office component is a significant and fundamental part of its use.[9] We further find that the production and laboratory space—comprising ~25% of the subject's gross building area—is also a significant and fundamental part of the subject. Finally, although the parties agree, as do we, that the subject has ~5% warehouse space, we find that the 5% warehouse space is proportional to the needs of an office and research facility. In other words, the 5% designated warehouse space at the subject would *not* support use of the subject as a distribution warehouse.

II. PROCEDURAL BACKGROUND

A. Site Visit

Prior to trial, Abbott brought a motion for the court to view the subject property.[10] Anticipating the subject's highest and best use would be central to the court's decision, Abbott argued a site visit would "provide essential context" when "evaluating the evidence and addressing several critical issues raised at trial."[11] In opposing the motion, the County generally agreed courts have discretion to view a subject property, but nevertheless argued the court would not be assisted in this instance.[12] Specifically, the County identified other instances when the tax court viewed property (*i.e.*, agriculturally-related processing facilities) and differentiated those matters from the current subject.[13]

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[9] To further complicate matters, the office square footages add up to 322,677 square feet, according to the sketches of the building contained in Mr. Waytas and Mr. Hall's reports. Ex. 2 at 50-55; Ex. A at 24-26.

[10] Pet'r's Not. Mot. & Mot. to View the Subject Property (filed Dec. 23, 2024).

[11] Pet'r's Mem. Mot. to View the Subject Property (filed Dec. 23, 2024).

[12] *See* Resp't's Mem. Opp. Mot to View the Subject Property (filed Dec. 31, 2024).

[13] Resp't's Mem. Opp. Mot. to View the Subject Property 3-4. Although not raised in its brief, at a pretrial hearing concerning the proposed site visit, the County raised a slippery slope argument; namely, that if the court were to visit this subject, then it would invite innumerable

In *Briggs v. Chicago Great Western Ry. Co.*, 68 N.W.2d 870 (Minn. 1955), the supreme court stated that a judge, without a jury, "may, in [the court's] discretion, view the premises … for the sole purpose of better understanding the evidence received during the trial but not for the purpose of obtaining additional evidence." *Id*. at 872. *Briggs* noted that judges "should notify the parties and give them an opportunity to be present" and employ safeguards in order "(1) that the wrong objects are not viewed, (2) that the conditions viewed are substantially the same as those existing at the time of the [issue], and (3) that no information will be obtained in violation of the hearsay rule from unsworn persons present at the view." *Id*. (citations omitted). "A decision will not be reversed if it is clear that the court did not gather evidence." *MT Props., Inc. v. CMC Real Est. Corp.*, 481 N.W.2d 383, 390 (Minn. App. 1992) (citation omitted).

We granted Abbott's motion for a site visit at the hearing on the motion.[14] Echoing supreme court precedent, we noted the "visit will be to better understand the evidence that is received during trial, and it's not for the purposes of obtaining evidence …."[15] As to safeguards, the court limited the visit to the court, the parties' attorneys, and an Abbott representative to lead the tour; the representative was not to offer any descriptive commentary.[16] Noting that the site visit would not

motions to view other properties. Tr. 8-9 (Jan. 8, 2025). Given both the timing of this argument and the infrequency of requests for site visits, the court concluded the contention lacked merit.

[14] Tr. 15-16 (Jan. 8, 2025).

[15] Tr. 15-16 (Jan. 8, 2025). *See Briggs*, 68 N.W.2d at 872.

[16] Tr. 18-20 (Jan. 8, 2025).

be on the record, the court previewed it would take statements about the site visit at the outset of trial.[17] The court and counsel for both parties toured the property on January 31, 2025.[18]

B. Trial

The court presided over trial on February 5 and 6, 2025.[19] Abbott presented evidence, by way of Mr. Ethan Waytas, that the subject property's market value was $33,750,000 as of January 2, 2022.[20] For its part, Hennepin County presented evidence, by way of Mr. Brett Hall, that the subject's market value was $49,560,000 as of the assessment date (the property had been assessed at $38,850,000).[21] For the reasons described below, we find Abbott proffered compelling evidence that the County overvalued the subject on the relevant assessment date.

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[17] Tr. 16 (Jan. 8, 2025). Hennepin County made several statements at the outset of trial concerning the site visit. First, counsel stated he asked for a separate tour of the facility, but Abbott declined to allow counsel into the subject beyond the court-ordered site visit. *Id.* at 9-14. Counsel suggested because he was not allowed a separate tour, he was denied the opportunity to properly prepare, and thus there may be portions of the subject that the court did not see. *Id.* Without citation, counsel also claimed Abbott was now using the site visit as evidence. *Id.* at 12. Finally, counsel noted the court did not go in certain "clean rooms" during the site visit, although the County conceded these rooms were entirely visible through large glass viewing windows. *Id.* at 15-16; *see* Ex. 2 at 78 (showing a picture of the windows to a clean room).

[18] Trial Tr. 8 (Feb. 5, 2025).

[19] At the close of Abbott's case-in-chief, the County brought a motion to dismiss for Abbott's alleged failure to have a qualifying interest in the subject property. *See* Trial Tr. 189-90 ("The Petitioner has not demonstrated that they have a direct interest nor are affected by the taxes of the property."), *and* Minn. Stat. § 278.01, subd. 1 (requiring a petitioner to have "any estate, right, title, or interest" in property to challenge its assessment). The court again denied the motion, without prejudice, for failing to abide by the court's rules concerning dispositive motion practice. *See* Minn. R. 8610.0070, Subp. 5. The County later conceded Abbott has a sufficient interest in the property to bring its challenge and stated it would no longer seek dismissal for failing to have a qualifying interest. Trial Tr. 379 (Feb. 6, 2025).

[20] Ex. 2; Stip. Facts ¶ 9.

[21] Ex. A; Stip. Facts ¶ 9.

III. BURDEN OF PROOF

An assessor's valuation of real property is prima facie valid. Minn. Stat. § 271.06, subd. 6 (2024) ("[T]he order of ... the appropriate unit of government in every case shall be prima facie valid."); *Schleiff v. Freeborn Cnty.*, 43 N.W.2d 265, 269 (Minn. 1950). "[A] prima facie case simply means one that prevails in the absence of evidence invalidating it." *S. Minn. Beet Sugar Coop v. Cnty. of Renville*, 737 N.W.2d 545, 558 (Minn. 2007) (quoting *Tousignant v. St. Louis Cnty.,* 615 N.W.2d 53, 59 (Minn. 2000)). A petitioner has the burden of overcoming prima facie validity. *Vasko v. Cnty. of McLeod*, 10 N.W.3d 482, 494 (Minn. 2024) (noting prima facie validity is "not a high bar."). Here, Abbott presented sufficient evidence through the testimony of its expert appraiser, Mr. Waytas, to overcome prima facie validity. We therefore determine market value based on a preponderance of the evidence. *Id.* at 487.

IV. MARKET VALUE

A. Tax Valuation Generally

All property "shall be valued at its market value." Minn. Stat. § 273.11, subd. 1 (2024). Market value is "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 (2024). Generally, this court recognizes three approaches for valuing real property: the cost approach, the income capitalization approach, and the sales comparison approach. *Burnsville Med. Bldg., LLC v. Cnty. of Dakota*, No. 19HA-CV-21-1303, 2023 WL 8533688, at *3 (Minn. T.C. Dec. 8, 2023) (citation omitted), *aff'd*, 20 N.W.3d 601 (Minn. 2025). Market value is premised on a property's highest and best use. Appraisal Institute, *The Appraisal of Real Estate* (*TARE*) 317 (15th ed. 2020) ("The goal of highest and best use analysis is to determine which use produces the highest present value of the future benefits.").

B. Highest and Best Use

A property's highest and best use is "[t]he reasonably probable use … that results in the highest value." *TARE* 305. Highest and best use analysis is undertaken "from two perspectives: [1] The use of real estate based on the presumption that the parcel of land is vacant or can be made vacant … [and 2] The use that should be made of the real estate as it exists (i.e., as currently improved …)." *Id*. at 307. Highest and best use conclusions have traditionally been tested using four criteria: 1. Legal permissibility, 2. Physical possibility, 3. Financial feasibility, and 4. Maximally productive. *Id*.; *Burnsville Med. Bldg., LLC v. Cnty. of Dakota*, 20 N.W.3d 601, 605 (Minn. 2025) (citation omitted).

As to the first perspective—the highest and best use as vacant—Mr. Waytas concluded to "for industrial development," occurring from "now to two years."[22] For his part, Mr. Hall observed "the improvements contribute significant value to the land, making [the highest and best use as vacant analysis] less relevant, though industrial is easily" the conclusion.[23] We agree with the parties that the highest and best use as vacant for the subject is for an industrial use.

As the parties agree the improvements contribute value to the subject, the highest and best use as improved conclusion is important. Here, Mr. Waytas concluded the as improved highest and best use was "the current office, production, warehouse, and lab use."[24] Mr. Hall concluded the highest and best use as improved was "to continue the existing industrial/R&D use."[25] We

[22] Ex. 2 at 86.

[23] Ex. A at 48.

[24] Ex. 2 at 88.

[25] Ex. A at 48. At the outset of Mr. Hall's testimony, the County attempted to enter into evidence a previously undisclosed change to Mr. Hall's highest and best use analysis, characterizing it as an "erratum." Trial Tr. 199-200. In his written appraisal, Mr. Hall states: "The most likely buyer is either an investor seeking rental income or an owner-occupant, though owner-occupancy is more common." Ex. A, at 48. The County attempted to change this important

agree with the parties' continued use conclusions, but note Mr. Hall's conclusion, erroneously or purposely,[26] leaves out the subject's primary use—office—in his appraisal. In any event, we conclude the highest and best use as improved as of January 2, 2022, was for continued office, production, warehouse, and laboratory use.

C. Sales Comparison Approach

In the sales comparison approach, "appraisers develop opinions of value by analyzing closed sales, pending sales, active listings, and cancelled or expired listings of properties that are *similar to the property being appraised*." *TARE* 351 (emphasis added). We take a moment to emphasize the first step in the sales comparison approach – appraisers must "[r]esearch the competitive market for information on properties that are *similar* to the property being appraised …." *Id.* 355 (emphasis added). We emphasize this point to preview our conclusion that Mr. Waytas identified sales of similar properties to the subject while Mr. Hall did not. We review the experts'

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conclusion to "the most likely buyer for the subject property is an investor." Trial Tr. 201. Abbott objected, arguing the proposed change is substantive, and not merely a typo. *Id.* at 201-02. The court denied admission of the change. *Id.* at 203-04. In any event, Mr. Hall addressed this change during his oral testimony. Trial. Tr. 336-40 (stating the most likely buyer is an investor). Given this skirmish, we note the County argues in post-trial briefing that the most likely buyer "would be an owner-occupant." Resp't's Post Trial Br. 2 (filed May 16, 2025); *but see* Trial Tr. 242 (Mr. Hall testifying that his report's conclusion that the subject's type was "predominately constructed for owner occupancy" was a "mistake"). We find the County's constantly changing position—that Mr. Hall originally, but *mistakenly*, concluded the most likely buyer of the property would be an owner occupier, which was changed to an investor at trial, but then back to an owner occupier in briefing—substantially undermines the County's credibility on this issue. *See, e.g.*, *Macy's Retail Holdings, Inc. v. Cnty. of Hennepin*, No. 27-CV-15-6881 & 27-CV-16-4588, 2019 WL 7176742, at *18 (Minn. T.C. Dec. 17, 2019) (commenting under similar circumstances that the party's argument "accomplishes nothing more than impeaching its own expert") (quoting *Eden Prairie Mall, LLC v. Cnty. of Hennepin*, Nos. 27 CV-08-07981 & 27-CV-09-13639, 2015 WL 246240, at *4 (Minn. T.C. Jan. 20, 2015)). Regardless, we agree with Abbott (and the County's latest position) that the most likely purchaser would be an owner occupant. Resp't's Post-Trial Br. 2.

[26] Mr. Hall's highest and best use as improved conclusion does not include office, Ex. A, at 48, but the County's post-trial briefing does. Resp't's Post-Trial Br. 2.

comparable sales, discuss their helpfulness in this case, and explain why we adopt Mr. Waytas's sales comparison approach.

i. Mr. Waytas' Sales Comparison Approach

Mr. Waytas identified nine sales for inclusion in his sales comparison report; his first sale—5909 Nathan Lane—was the only comparable sale identified by both appraisers.[27] Waytas Comparable 1 (Hall Comparable 4) was included in both appraisers' reports because it is located directly next to the subject and is a "[s]ingle-occupant office building … used for medical production."[28] Waytas Comparables 2 and 6 are both large single-user office and production facilities.[29] Mr. Waytas' remaining comparables were all large single-user office spaces.[30]

Mr. Waytas next adjusted each sale to be more representative of the subject.[31] *See TARE* 355 (after identifying relevant sales, an appraiser "adjust[s] the price of each comparable, reflecting how it differs to equate it to the subject property…."). For example, Mr. Waytas adjusted for certain differences, such as market conditions (time), location, and building size.[32] Notably, Mr. Waytas made no adjustment (in other words, he made a 0% adjustment) for "Zoning/Use" as he considered the properties "competing."[33] Mr. Waytas gave his sales comparison approach the

[27] Ex. 2 at 128-29, 146; Ex. A at 70, 75.

[28] Ex. 2 at 129.

[29] Ex. 2 at 131, 139. Mr. Waytas verified both open market sales. *Id.*

[30] Ex. 2 at 133 (# 3), 135 (# 4), 137 (# 5), 141 (# 7), 143 (# 8), 145 (# 9).

[31] Ex. 2 at 146-50.

[32] Ex. 2 at 146-50.

[33] Ex. 2 at 146, 149.

"most weight," as he concluded there were "average to good quality sales" resulting in a "credible and reliable" conclusion of value.[34]

ii. Mr. Hall's Sales Comparison Approach

TARE recognizes it is "rarely the case" that comparable properties are identical to a subject. *TARE* 361. Nevertheless, at the outset, Mr. Hall noted he "found no sales which would be a comparative substitute for the subject[,]" and that "there were no truly comparable and competitive sales available."[35] Despite this, in addition to the parties' common comparable (Hall Comparable 4/ Waytas Comparable 1), Mr. Hall relied upon five additional sales to construct a sales comparison approach. Hall Comparables 1, 2, and 3 were sales of large, single-tenant distribution warehouses, containing 6.1%, 8.2%, and 3.2% of GBA of office space, respectively.[36] Hall Comparable 5 contained 53.6% of single-tenant office space.[37] Hall Comparable 6, containing 60% office space, was configured for multiple tenants.[38] Like Mr. Waytas, Mr. Hall adjusted for certain differences, such as market conditions (time), location, and building size.[39] But Mr. Hall also adjusted for dock door ratio and clear height.[40] To support his adjustments, Mr. Hall pointed

[34] Ex. 2 at 191. Mr. Waytas did not expressly assign a percentage weight to his approaches. However, his sales comparison approach was afforded approximately 65% weight in his final reconciliation. *See id.*

[35] Ex. A at 64-65.

[36] Ex. A at 67-69. *See also Diamond Lake*

[37] Ex. A at 71.

[38] Ex. A at 72.

[39] Ex. A at 73-75.

[40] Ex. A at 73-75. Inclusion of dock door ratio and clear height adjustments, not helpful elements of comparison for the subject, is likely a result of Mr. Hall using the appraisal he wrote for *Diamond Lake Road Industrial Owner, LLC v. Cnty. of Hennepin,* No. 27-CV-22-12786, 2025 WL 1173709 (Minn. T.C. Apr. 22, 2025) (distribution warehouse), as the template for the report he wrote in the present matter. Trial. Tr. 270-84, 334-36; Ex. 239.

to a "sale price analysis" consisting of 36 sales, in his addendum.[41] In the end, Mr. Hall gave his sales comparison approach only 20% weight.[42]

iii. The Court's Analysis

We credit Mr. Waytas' sales comparison approach. We find his comparables more like the subject property: large, primarily office, single-occupant facilities.[43] We further conclude Mr. Waytas used reasoned judgment when adjusting these comparable sales to be more like the subject.[44] When pressed on cross examination, Mr. Waytas offered support for his conclusions that were not materially undermined by the County.[45]

Conversely, we do not find Mr. Hall's sales comparison approach credible for several reasons. First, Comparables 1, 2, and 3 were sales of distribution warehouses, properties that occupy a different submarket.[46] Second, although we rely upon Hall Comparable 4 (also Waytas Comparable 1), we reject it as adjusted by Mr. Hall because the adjustments total more than 215%, taking it out of the general range of reliability in these matters. *See TARE 367* (discussing the number and magnitude of adjustments); *Continental Rogers, LLP v. Cnty. of Hennepin,* No. 27-

[41] Ex. A at 105.

[42] Ex. A at 93.

[43] Ex. 2 at 127-51.

[44] Ex. 2 at 146. For example, Mr. Waytas explained a 15% downward adjustment to his Comparable 3 was due to surplus land at that site. Trial Tr. 116-17. He also made a 9% downward adjustment to Comparable 8 due to cell tower revenue associated with the comparable. *Id.* at 125-26. We find these details support not only his sales comparison approach, but Mr. Waytas' overall credibility.

[45] *E.g.*, Trial Tr. 39-41 (discussing Abbott's Minnetonka campus sale), 42-44 (discussing land sales), 81-95 (discussing obsolescence). *See also*, Trial Tr. 367-69 (discussing Mr. Waytas' ability to respond to cross-examination).

[46] Ex. A at 67-69. Mr. Hall used these sales during the *Diamond Lake* matter, a tax dispute over the market value of a distribution warehouse. *Diamond Lake v. Cnty. of Hennepin*, 2025 WL 1173709 (Minn. T.C. Apr. 22, 2025) (concluding the highest and best use as improved was for a distribution warehouse).

CV-08-09499 et al., 2012 WL 360455, *8, 12 (Minn. T.C. Jan. 31, 2012) (holding that "comparables requiring excessive adjustments are less persuasive or not persuasive at all"). Third, we reject Hall Comparable 6 because it is both much smaller than the subject (approximately 25% the size) and Abbott introduced evidence that the sale was not a reliable indicator of value.[47] Finally, Mr. Hall's remaining comparable—Comparable 5—while like the subject, was incorrectly adjusted upward by 18.6% for vacancy.[48] Removing this adjustment would put Hall Comparable 5 in line with Mr. Waytas' overall per square foot conclusion.[49]

But even if we determined Mr. Hall's comparables, as adjusted, were similar to the subject, which they are not, we reiterate the concerns raised in *Diamond Lake v. Cnty. of Hennepin*, 2025 WL 1173709 (Minn. T.C. Apr. 22, 2025) about Mr. Hall's adjustments. In *Diamond Lake*, like here, Mr. Hall based his adjustments on 36 sales of office and industrial property in the Twin Cities, without any further market delineation.[50] In *Diamond Lake*, the court was concerned that by "blending data from numerous [industrial] submarkets, Hall has risked creating trend lines that accurately describe none of them." *Id.* at *12. In sum, Mr. Hall has relied upon general trend lines

[47] Trial Tr. 262-63; Ex. 38. Mr. Hall noted this sale was rejected from inclusion in the annual sales ratio studies "for physical change." Trial Tr. 263. While we agree with Mr. Hall that rejection from inclusion in a sales ratio study does not necessarily mean the sale does not represent a good comparable, there was no further evidence or argument to show why Comparable 5 should be deemed sufficient.

[48] Ex. A at 71, 75. In his report, Mr. Hall noted it was "vacated by the prior tenant about 3 months prior to the sale." *Id.* at 71. Resultingly, although Mr. Hall concluded this property was a "fee simple" sale, it nonetheless had "Below Market Vac[ancy]" and thus made an adjustment accordingly. *Id.* at 75. At trial, Abbott introduced evidence showing Hall Comparable 5 was fully leased at the time of sale. Ex. 34; Trial Tr. 256. Mr. Hall then stated that the lease was a last-minute tool used by the purchaser to allow it to occupy the property and be a tenant. Trial Tr. 330-31. In other words, adjusting for vacancy was not warranted.

[49] *See* Ex. 2 at 151; Ex. A at 75 (removing the 18.6% property rights adjustment from Sale Comparable 5's $94.77 per square foot conclusion puts it in reasonable range of Mr. Waytas' $67 per square foot conclusion).

[50] Ex. A at 105.

to adjust admittedly non-comparable properties to the subject. Like in *Diamond Lake*, we do not find this analysis credible here.

As to the sales comparison approach, we find Mr. Waytas' analysis credible and thus adopt it. We largely reject Mr. Hall's analysis; to the extent we did not reject Hall Sale Comparables 4, we prefer Mr. Waytas' adjustments. To the extent we did not reject Hall Sale Comparable 5, we reiterate that the adjusted sale (after removing the property rights adjustment) supports Mr. Waytas' conclusion.

D. Cost Approach

Under the cost approach, "appraisers compare the replacement cost of the subject improvements to the cost to develop similar improvements as evidenced by the cost of construction …." *TARE* 525. The cost approach is essentially the following equation: land value + depreciated cost of improvements = estimated value. *TARE* 533 ("In the cost approach, the estimated market value of the land or site as though vacant is added to the depreciated cost of the improvements."). Here, both parties followed this formula, and although both experts employed similar components, the results were different. Below is a summary of each expert's cost approach and this court's analysis.

i. Mr. Waytas' Cost Approach

Mr. Waytas first identified—and adjusted—five land sale comparables, concluding to a land value of $6,365,000.[51] Mr. Waytas then calculated the cost to construct the subject property (replacement cost new), relying on Marshall Swift cost tables for office, industrial (R&D), and

[51] Ex. 2 at 90-103.

laboratory building space, concluding to $158.35 per square foot.[52] Using an adjusted base cost, he then added landscaping and site improvement costs (for example, the parking lot), resulting in a total cost of $94,775,321 (or $200.32 per square foot).[53]

After calculating the cost to build the subject, Mr. Waytas calculated and removed all forms of depreciation, beginning with physical deterioration, or "wear and tear that begins when a building is completed and placed into service."[54] In concluding to 47% physical depreciation, Mr. Waytas considered various short-lived components of the subject (roof, HVAC, parking lot, etc.) and long-lived components (building frame, including concrete block, concrete foundation, etc.).[55] Next, considering the subject's 1974 characteristics, in comparison to more recent construction, Mr. Waytas opined the subject suffered from 15% functional depreciation on the assessment date.[56] Like the County, Mr. Waytas found no locational obsolescence,[57] nor did he find any need for a deferred maintenance reduction.[58] Finally, Mr. Waytas compared his depreciated cost of the improvements to the other approaches (sales and income) and determined 18% external obsolescence also existed.[59] Thus, after calculating all his inputs, Mr. Waytas determined the

[52] Ex. 2 at 105. In so concluding, Mr. Waytas also considered both average quality construction and good quality construction and various relevant cost multipliers; we find the blending of these two cost qualities and use of multipliers credible. *Id.* at 105-06.

[53] Ex. 2 at 106-07.

[54] Ex. 2 at 108-15.

[55] Ex. 2 at 110-15.

[56] Ex. 2 at 119.

[57] Ex. 2 at 121.

[58] Ex. 2 at 120.

[59] Ex. 2 at 123. Citing *TARE*, Mr. Waytas opined that external obsolescence may result as buyers may be unwilling to pay full price for such a large space in the Plymouth market. Trial Tr. 87-99, citing *TARE* 531 ("If the cost approach indicates a higher value for an existing building, than an appraiser may need to take a closer look at one or more of the inputs," such as depreciation.).

subject's value under the cost approach was $38,850,000 as of the relevant assessment date.[60] In his final reconciliation, Mr. Waytas gave his cost approach "secondary weight, as there are limited sales in the market and this property type tends to be owner occupied."[61]

ii. Mr. Hall's Cost Approach

For his part, Mr. Hall identified—and adjusted for—six land sale comparables, concluding to a land value of $8,670,000.[62] From here, he estimated the cost of the improvements at $102.95 per square foot, relying on Marshall & Swift cost data for Industrial, Engineering Buildings.[63] Mr. Hall did not make any adjustments or accounting for the subject's approximately 70% office space or 25% laboratory space.[64] Mr. Hall next considered depreciation, subtracting 44% for physical deterioration and 0% for both functional and external obsolescence.[65] Thus, according to Mr. Hall, the estimated value of the subject under the cost approach was $48,430,000 as of January 2, 2022.[66] Mr. Hall placed 60% weight on his cost approach in his final reconciliation, after determining that the lack of reliable data made the other approaches less reliable.[67]

iii. The Court's Analysis

The "cost approach is best applied when land value is well supported and the improvements are new or suffer only minor depreciation." *Guardian Energy, LLC v. Cnty. of Waseca*, 868 N.W.2d 253, 262 (Minn. 2015). The cost approach is "especially persuasive when land value is

[60] Ex. 2 at 125.

[61] Ex. 2 at 191.

[62] Ex. A at 50-56.

[63] Ex. A at 58-59.

[64] Ex. A at 57-58.

[65] Ex. A at 60-61.

[66] Ex. A at 62.

[67] Ex. A at 93.

well supported and the improvements are new or suffer only minor depreciation and therefore, approximate the ideal improvements that is the highest and best use of the land as though vacant." *TARE* 530. Here, although portions the improvements are not particularly new, we place some reliance on this approach because both experts opted to do so (with many calculations in close range of one another), and we generally find Mr. Waytas' detailed analysis credible.

At the outset, we reject Mr. Hall's replacement cost new because he relied upon cost data for Industrial and Engineering Buildings without accounting for the subject's majority office space;[68] Mr. Hall thus ignored more accurate cost data. We find Mr. Waytas' replacement cost new analysis properly and credibly pulls cost data for all three types of spaces found at the subject: Office, Industrial and Engineer (R&D), and Laboratory Buildings.[69] Next, we find Mr. Waytas carefully considered all forms of depreciation, documented them, and adequately explained his bases for those deductions.[70]

Finally, as to the cost approach, we agree with Mr. Waytas that it should receive less reliance (as opposed to Mr. Hall's 60% reliance).[71] The cost approach is not well-suited for older facilities, like the subject, which was constructed, in part, in 1975.[72] We disagree with Mr. Hall's statement that the cost approach should be given the most weight because the lack of reliable data

[68] *See* Ex. A at 58 (showing a Marshall Swift cost table for Industrial, Engineering (Research & Development) Buildings), *and* Ex. 6 (the same table with the explanation: "If the design appears closer to office use or occupancy than to industrial, the costs in [Office tables] should be used."). As the subject is majority office space, we expect Mr. Hall to have at least relied, in part, on office cost estimates.

[69] Ex. 2 at 105.

[70] We find Mr. Waytas' explanation for his 18% overall external obsolescence conclusion not entirely convincing. However, given the credibility of the remainder of the depreciation analysis, we adopt it.

[71] Ex. 2 at 190-91.

[72] Stip. Facts ¶ 5.

for the two other approaches makes the cost approach "a highly reliable indicator."[73] A lack of reliability from the two other approaches might leave an appraiser with no other choice but to rely on a cost approach, but it does not necessarily mean that approach is "highly reliable." *See, e.g.*, *Marvin Lumber & Cedar Co. v. Cnty. of Roseau*, No. 68-CV-18-308 et al., 2022 WL 4295388, at *21 (Minn. T.C. Sept. 16, 2022) (noting that practical need for use "does not magically confer precision on the cost approach or eliminate the difficulty of estimating the functional and external obsolescence of older improvements"). In any event, we find Mr. Waytas' sales comparison approach credible, and thus we do not need to rely as heavily on the cost approach as the County suggests. We therefore place some weight on the cost approach.

E. Income Capitalization Approach

"In the income [] approach, an appraiser analyses a property's capacity to generate future benefits and capitalizes the income into an indication of present value." *TARE* 413; *See Burnsville Med. Bldg., LLC v. Cnty. of Dakota,* 20 N.W.3d 601, 605 (Minn. 2025) ("the income capitalization approach analyzes the value of real property by assessing the capacity of the property to generate income to the owner of the real property.") (quotation omitted). Under the direct capitalization variant of the income approach, used here, an appraiser identifies a property's annual earning potential (potential gross income), subtracts vacancy and operating expenses (resulting in net operating income), and then capitalizes the resulting net operating income to result in a present value. *See TARE* 459-60. Again, we briefly describe the parties' respective analyses and explain why—although we credit Mr. Waytas' income approach—it does not receive much weight in the final reconciliation.

[73] Ex. A at 93.

i. Mr. Waytas' Income Approach

Mr. Waytas began his analysis by identifying nine rent comparables, all of which were in large office buildings in the Twin Cities.[74] Although all the tenants in his report used the spaces as offices, Mr. Waytas identified some tenants that rented the comparables for office, production, and laboratory uses.[75] Mr. Waytas then made adjustments to the rent attributed to the comparables to account for the differences between the comparables and the subject property, resulting in an annual $8 per square-foot rental rate conclusion.[76] After subtracting 8% for vacancy and credit loss, Mr. Waytas allowed an additional subtraction of $5.99 per square foot for expenses, resulting in a net operating income of $3,120,566.[77] Mr. Waytas then applied a 8.50% capitalization rate after consulting market data, namely capitalization rates derived from sales of large office buildings.[78] With these constituent parts, Mr. Waytas concluded the market value of the subject was $35,635,000 under the income approach as of the assessment date.[79] Although he completed an income approach, Mr. Waytas only gave it "tertiary weight, as there is limited rental data available and this property type tends to be owner occupied."[80]

[74] Ex. 2 at 154-72.

[75] Ex. 2 at 154-72 (Lease Comparables 8 and 9 had office, production, and laboratory uses, with Lease Comparable 7 having office and production uses).

[76] Ex. 2 at 173-78.

[77] Ex. 2 at 188.

[78] Ex. 2 at 184-87.

[79] Ex. 2 at 189.

[80] Ex. 2 at 191. Mr. Waytas characterized the quantity and quality of data for his income approach as "fair" and "average." *Id.*

ii. Mr. Hall's Income Approach

Mr. Hall followed the same steps as Mr. Waytas, as outlined by *TARE*, calculating a property's net operating income and multiplying it by an appropriate capitalization rate. At the outset, Mr. Hall characterized his rental data as "less than comparable," identifying six lease comparables, all for distribution warehouses.[81] After adjusting the lease comparables to account for the subject property's features, Mr. Hall concluded to an annual rental rate of $8.60 per square foot.[82] Mr. Hall's operating expense conclusion—$5 per square foot—was calculated after identifying seven warehouse comparables (with approximately $1 per square foot expenses) and merging that rate with a "pure office rate" of $7 per square foot.[83] To calculate a cap rate, Mr. Hall collected and identified capitalization rates on industrial sales since 2015 and rates for single-tenant properties, concluding to a 7% capitalization rate.[84] With these pieces in place, Mr. Hall concluded to a market value of $52,970,000 (or $112 per square foot) as of the assessment date.[85]

iii. Court's Analysis

We find Mr. Waytas' income approach more credible for the following reasons. First, he identified comparable leases, including leases for large office, production, and laboratory spaces.[86] By Mr. Hall's own admission, his rent comparables (all distribution warehouses) were "less than

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[81] Ex. A a78-84.

[82] Ex. A at 85-87. Two of Mr. Hall's seven adjustments were for clear height and dock ratio, elements of comparison most useful for distribution warehouses, not office, production, and laboratory spaces.

[83] Ex. A at 88-89.

[84] Ex. A at 90-91.

[85] Ex. A at 92.

[86] Ex. 2 at 154-72.

comparable…."[87] Indeed, Mr. Hall admitted on cross examination that he "wouldn't be surprised" if all six of his rental comparables were the same six comparables he used in a previous appraisal of a distribution warehouse.[88] Second, we further find Mr. Waytas' vacancy, collection loss, and operating expense analysis more detailed, comprehensive, and thus credible. On the other hand, Mr. Hall's expense analysis lacked relevant expense information for the subject, concluding office expenses were "$6 to $8 per square foot" without support.[89] Finally, we find Mr. Waytas' capitalization rate conclusions supported by market evidence, showing its comparability to the subject.[90] On the other hand, Mr. Hall's dataset in support of his 7% capitalization rate is unpersuasive; indeed, his single tenant dataset is—by his own words—"small, with only 7 sales."[91] This, in addition to our general conclusion that Mr. Hall's analysis lacks rigorous support, prompts our decision not to rely on Mr. Hall's capitalization rate conclusion. In sum, we credit Mr. Watytas' income approach, and disregard Mr. Hall's, although we decline to place much weight on this approach, as discussed below.

F. Reconciliation & Conclusion

In this final step to determine market value, the parties—and the court—must evaluate the "strengths and weaknesses of each of the approaches used, and the quantity and quality of the data analyzed" to conclude to a final value. *TARE* 599-600. The final value is not an average of the three approaches, and there is no "mechanical formula" to use. *Id.* at 599. "Because the process of

[87] Ex. A at 77.

[88] Trial Tr. 271; Ex. 239 at 59.

[89] Ex. A at 88-89; Ex. 239 at 70; Trial Tr. 277 (Mr. Hall acknowledging he did not have access to the subject's actual operating expenses).

[90] Ex. 2 at 184-87.

[91] Ex. A at 90.

appraisal is an inexact value determination, the weight placed on each approach depends on the facts of each case." *Cont'l Retail, LLC v. Cnty. of Hennepin*, 801 N.W.2d 395, 402 (Minn. 2011).

The sales approach is most useful here as there are enough comparable sales (with satisfactory adjustments) paired with the subject's most likely purchaser being an owner occupant.[92] *See TARE* 354 ("Typically, the sales comparison approach provides a credible indication of value for commercial and industrial properties suited for owner occupancy …. These types of properties are generally suitable for application of sales comparison because similar properties are commonly bought and sold in the same market.").

While the cost approach becomes less helpful as improvements age, especially here as the subject was constructed in phases (1974, 2006, and 2012), it can still offer insight with reliable underlying data. *See TARE* 530 ("[T]he cost approach is more important in estimating the market value of new or relatively new construction. The approach is especially persuasive when land value is well supported and the improvements are new…."). As we conclude Mr. Waytas' cost approach is credible, it factors into the final conclusion.

The income approach is particularly useful when valuing income-producing properties. *Nw. Racquet Swim & Health Clubs, Inc. v. Cnty. of Dakota*, 557 N.W2d 582, 587 (Minn. 1997). We agree with Mr. Waytas that the income approach is not the most helpful here. As an initial matter, the property is owner occupied, with no historical lease data. Second, leases for large office, production, and laboratory spaces are not common, leaving appraises with less data upon which to draw a conclusion. Although we may have been inclined to place more weight on Mr. Waytas' income approach, we see no reason to diverge from the "tertiary" weight he placed on his income approach.

[92] *See supra* n. 25.

As we described above, we find Mr. Waytas' report and testimony at trial credible; thus, we adopt his weighting and conclusion of value of $33,750,000 as of the assessment date.[93] Also for the reasons explained above, we do not find the report and testimony of Mr. Hall credible, and thus decline to adopt his opinion of value, or any portion thereof.

V. EQUALIZATION

"Unequal assessment occurs where a taxpayer's property is valued for tax purposes at a substantially higher percentage of its market value than is other property in the taxing district." *Short v. Cnty. of Hennepin*, 353 N.W.2d 525, 529 (Minn. 1984) (citing *Hamm v. State*, 95 N.W.2d 649, 654 (Minn. 1959)). "Minnesota law is clear that to establish an unequal assessment claim the taxpayer must present evidence that allows the court to compare the actual market value and tax assessment of the property in question with the actual market value and tax assessment of similarly situated properties." *Chambers Self-Storage Oakdale, LLC v. Cnty. of Washington*, 971 N.W.2d 64, 75 (Minn. 2022) (quotation omitted). More specifically, successful unequal assessment claims show the *ratio* of assessed value to actual market value of the subject property is more than the *ratio* of the assessed value to actual market value of other comparable properties in the same taxing district. *Id.*

The Minnesota Department of Revenue maintains annual sales ratio studies. *See* Minn. Stat. § 273.1325, subd. 1 (2024) (requiring the Department to "annually conduct an assessment/sales ratio study of the taxable property in each county, city, town and school district"). The legislature has further determined that these studies are "prima facie evidence of the level of assessment" in tax court proceedings. Minn. Stat. § 278.05, subd. 4 (2024). Generally, to establish unequal assessment based on Department of Revenue sales ratio studies, taxpayers

[93] Ex. 2 at 191.

must show that "the median ratio of the same classification of property in the same county ... as the subject property is lower than 90 percent." *Id.*, subd. 4(d). *See ODC-HV Ritz Block II LLC v. Cnty. of Hennepin*, Nos. 27-CV-21-5356 & 27-CV-22-6372, 2025 WL 582666, at *2 (Minn. T.C. Feb. 21, 2025) (declining to offer relief where the median ratio was higher than 90%). If a taxpayer can establish equalization relief based on the Department of Revenue studies, "the reduction shall equal the difference between 95 percent and the median ratio determined by the court." Minn. Stat. § 278.05, subd. 4 (2024). The relevant Department of Revenue study[94] supplies the following data:

Nine Month Assessment-Sales Ratio Study	**Median Assessment Sales Ratio**	**Sale Count**
Hennepin County Commercial w/o First Class Cities	91.09%	93
Hennepin County Industrial w/o First Class Cities	87.20%	59
Hennepin County Commercial/Industrial w/o First Class Cities	88.78%	152
The City of Plymouth Commercial	97.66%	6
The City of Plymouth Commercial/Industrial	89.31%	11

[94] In addition to the 9-month study, the Department of Revenue prepares a 12-month study. *See* Minnesota Department of Revenue, 2022 Sales Ratio Study. We generally rely most heavily on the Department of Revenue's 9-month, rather than 12-month, sales ratio studies to minimize the possibility of "spearing." Spearing can occur when the assessor places a value on a piece of property for the January 2 assessment date with knowledge at that time of what the property has recently sold for. With that hindsight, the assessor can place a market value on the property that is virtually 100% accurate based on the actual sale of the property. *Chodek v. Cnty. of Otter Tail*, No. 56-CV-13-1038 et al., 2017 WL 6813397, at *6 (Minn. T.C. Dec. 4, 2017) (citing *Prokop v. Cnty. of Ramsey*, No. TA-1263, 1988 WL 21277, at *3 (Minn. T.C. Feb. 19, 1988)). As we have previously observed, "this special hindsight is not available for sales occurring after January 2nd when the estimated market value has already been determined by the assessor." *Id.* That "special hindsight provided by including sales prior to the assessment date," we noted, "has the effect of artificially raising the assessment/sales ratio if the assessor based [the] estimated market value on the selling price." *Id.* By using the Department's 9-month study, limited as it is to sales between January and September, we necessarily "include only sales of which the assessor would not have had knowledge at the time of the assessment." *Id.*

Abbott asks us to order equalization relief based on the 2022 Nine-Month Tax Court Assessment-Sales Ratio Study for *industrial* property in Hennepin County (excluding Minneapolis), with a ratio of 87.20%.[95] Abbott argues we should use the industrial metric because the property was classified as industrial.[96]

Hennepin County argues that the court should evaluate equalization using sales of *commercial* properties from Plymouth; the relevant study shows a ratio of 97.66% (which would offer no equalization relief to Abbott).[97] *See* Minn. Stat. § 278.05, subd. 4 (only offering relief if the median sales demonstrate a ratio of 90% or lower). The County advocates for a commercial designation because, while there are industrial uses at the subject, "the Department of Revenue would conclude the majority of the property is commercial and include it with the commercial properties."[98]

Here, we find the most applicable ratio is the City of Plymouth Commercial/Industrial study from 2022.[99] Equalization relief stems from comparing similarly situated properties in the

[95] Pet'r's Post-Trial Br. 25-26; Ex. 1. Abbott does not request equalization relief relying on commercial sales from Plymouth only because there were not enough sales. Pet'r's Post-Trial Br. at 26. *Rinkel Family Ltd. P'ship v. Cnty. of Ramsey*, No. CX-01-6589, 2003 WL 21359576, at *3 (Minn. T.C. June 10, 2003) ("If there are too few sales in the municipality, the Court typically uses the countywide ratio."). While the court prefers to apply sales ratio studies gathered from the smallest geographic area, *Mark Court LLC v. Cnty. of Washington*, No. C4-03-2946, 2004 WL 3021374, at *2 (Minn. T.C. Dec. 22, 2004) ("We have 'consistently determined that the appropriate taxing district is the smallest taxing district with a sufficient number of samples in the Study....'") (citation omitted), the City of Plymouth had fewer than six industrial sales in 2022, *Dezurik Corp. v. County of Stearns*, No. C1-97-1235 et al., 1999 WL 286300, at *7, n.1 (Minn. T.C May 5, 1999) (noting the court's preference for studies including six or more sales).

[96] Pet'r's Post-Trial Br. 25-26 ("The subject property was classified as industrial by Hennepin County ….").

[97] Resp't's Post-Trial Reply Br. 12 (filed May 23, 2025).

[98] Resp't's Post-Trial Reply Br. 10.

[99] Ex. 1.

same taxing jurisdiction to a subject. *See Chambers Self-Storage Oakdale,* 971 N.W.2d at 75 (Minn. 2022) (noting the requirement that properties be "similarly situated"). Here, the subject has both commercial (office) and industrial (production and laboratory) uses. Relying on a study whose data was mined from both commercial and industrial properties offers the closest comparison. Put another way, to compare the subject to either commercial property or industrial property studies would necessarily mean we are not comparing it to the most "similarly situated" properties.

As the City of Plymouth Commercial/Industrial median sales ratio for 2022 was 89.31%, the measure of equalization relief applicable to the subject is therefore 5.69% (95% - 89.31%). *See* Minn. Stat. § 278.05, subd. 4 (2024). We thus multiply our 2022 market value of $33,750,000 by 94.31% (100% – 5.69%) to determine an equalized value of $31,829,625, which we round to $31,830,000.

J.N.B.H.