2017 Appeal #2017-81-01
Findings of Fact section D-6

The Subject property is a single family residence with several utility buildings, located on a 14.41 acre parcel in eastern Kewaunee County. The parcel is mostly wooded except for the building sites. The appellant believes the value of the property is negatively impacted by a Concentrated Animal Feeding Operation (CAFO) located directly across the road from the subject. The Wisconsin Department of Natural Resources (DNR) defines a CAFO as "A Wisconsin animal feeding operation with 1,000 animal units or more". The DNR may designate a smaller-scale animal feeding operation (fewer than 1,000 animal units) as a CAFO if it has pollutant discharges to navigable waters or contaminates a well.

The Department of Revenue (DOR) found the appellant presented no definitive evidence to support their opinion of value. The assessor presented a comparable sales grid, but the total value adjustments were extensive, and show that the sales are not reasonably comparable, and cannot be used as a basis to establish value. Appraisals submitted to the BOR by the appellant, which were submitted to DOR by the assessor, ranged in date from 1995 to 2010 – which made them only relevant as historical data.

In the absence of a sale of the subject property and reasonably comparable properties, DOR completed a sales study of all recent (past three years) arms-length residential sales in Kewaunee County townships to test whether the proximity to a CAFO impacts property values and if so, to what extent. Because our study is countywide and each municipality assesses at a different percentage or market value, we equated the assessments of each sale to full value using the applicable municipal aggregate ratio, which allows us to compare assessed values between municipalities. This is a process DOR performs annually to analyze market value changes for purposes of adjusting the Equalized Value. Our study is based on rural sales, and excludes sales from the two villages and two cities in the County. Sales which are located on significant water bodies were not included in the ratio analysis, since waterfront sales typically form a unique marketplace. Residential sales purchased by area farmers were included in the ratio study since they were validated as arm's length transactions by the various municipal assessors.

The equated assessment ratios were graphed using the measured distance of each sale property from a CAFO. The CAFOs included in the study area were: Da-Ran Dairy LLC (0059579), Dairy Dreams LLC (0062057), Deer Run Dairy LLC (0093789), Ebert Dairy Enterprises LLC (formerly Duescher's), Ebert Dairy Enterprises LLC (0062235), El-Na Farms LLC (0063061), Halls Calf Ranch (006503), Heims Hillcrest Dairy LLC (0064131), Kinnard Farms Inc. (0059536), Pagel's Ponderosa LLC (0059536), Rolling Hills Dairy Farm (0062707), Seidl's Mountain View Dairy LLC (0063665), Skyline Blue Acres (0063410), Stahl Bros Dairy LLC (0061999), Stahl Farms (0062332), and Wakker Dairy Farm Inc. (0063673). The result of this study including all Kewaunee County CAFOs suggested the possibility of trends, but overall was inconclusive. See Figure 1 below. Therefore, the results of the study were further segregated by the size of the CAFO.

A more in-depth analysis of the data indicated the size of the CAFO is relevant to market trends. The ratio study was altered to graph the equated assessment ratios to the measured distance from each large CAFO. Large CAFOs (LG CAFOs) were determined to be operations with more than four thousand (4,000) units which included: Kinnard Farms Inc., Pagels Ponderosa Dairy, Dairy Dreams LLC, Ebert Dairy Enterprises LLC, and Wakker Dairy Farm Inc. all located in Kewaunee County; plus Dairyland Farm LLC (two miles west of the Brown/Kewaunee line) located in Brown County. One hundred eighty four (184) sales over the last three years were included in our study.

The sales ratios measure the relationship between the equated (full value) assessment and the sale price. A ratio above 100 indicates a sales price which is less than the equated assessment. A ratio below 100 indicates a sales price which is greater than the equated assessment. Equated sales ratios were taken from the sales ratio analysis blend group of the townships in Kewaunee County. Six groups were used in the analysis. The first mile was divided into three groups, as this would likely encompass the most intense effect from the LG CAFO. The second and third mile from a LG CAFO were groups and the last group included parcels greater than 2.95 miles from a LG CAFO. Distribution of these sales are listed below:

• 4% (7 sales) were < .30 miles from a LG CAFO

• 6% (11 sales) were .30 to .55 miles from a LG CAFO

• 4% (8 sales) were .55 to .95 miles from a LG CAFO

• 4% (7 sales) were .95 to 1.95 miles from a LG CAFO

• 17% (32 sales) were 1.95 to 2.95 miles from a LG CAFO

• 69% (119 sales) were > 2.95 miles from a LG CAFO

The analysis included measurement and study of each group in light of their mean, aggregate and median sales ratios. Comparison of the mean ratios (Figure 2) for the six groups showed a significantly higher ratio for the group less than .30 miles from a LG CAFO. Comparison of the aggregate ratios (Figure 3) for the six groups showed a significantly higher ratio for both the group less than .30 miles from a LG CAFO and the group from .55 to .95 miles from a LG CAFO. The aggregate ratio (Figure 4) for the group from .30 to .55 miles from a LG CAFO was influenced by several high dollar sales which is the weakness of the aggregate ratio measure where the group is relatively small. Comparison of the median ratios showed significantly higher ratios for the three groups .95 miles and less from a LG CAFO versus the three groups where parcels were one mile and further from a LG CAFO. All three measures of central tendency point to parcels closer to LG CAFOs having higher equated assessment to sale price ratios. The median ratio measures were found to be the most statistically sound measure for the study.

Based on analysis of the sales, we found that there was no identifiable impact to residences beyond one mile from the CAFO. We also found that properties within about ¼ mile were impacted the most. Additionally, sales between ¼ and 1 mile from the CAFOs were adversely impacted, but to a lesser degree. (Figure 5). The median ratio study results were applied to these three groups of sales looking at the ratio relationship to the distance from the nearest LG CAFO:

• >.95 miles   Median Ratio 95.40%

• .30 to .95 miles   Median Ratio 102.75%

• <.30 miles   Median Ratio 107.42%

[(>.95 miles ratio minus <.30 miles ratio)/>.95 miles ratio] * 100 = percent change

[(95.40 – 107.42)/95.40] * 100 = - 13%

[(>.95 miles ratio minus .30 to .95 miles ratio)/>.95 miles ratio] * 100 = percent change

[(95.40 – 102.75)/95.40] * 100 = - 8%

As the subject parcel in this appeal is less than .30 miles from a LG CAFO, the results of the study show that an economic obsolescence factor of minus 13% should be applied to the unadjusted total local assessment. The reduction should be applied equally to the land and improvement assessments.

DOR considers this study to be appropriately extensive for application across Kewaunee County only. While the trends may be useful to consider in nearby, similar counties, it is not appropriate to apply beyond the immediate area. Kewaunee County is somewhat unique in that there are a significant number of LG CAFO's from which to gather data.

Summary of Findings:
- The value of property located more than one mile away from a CAFO is not impacted
- The value of property located within any distance from a CAFO that is smaller than 4,000 units is not impacted
- The value of property located within one quarter mile of a large CAFO (greater than 4,000 units) is reduced by 13%
- The value of property located between ¼ mile and one mile of a large CAFO is reduced by 8%
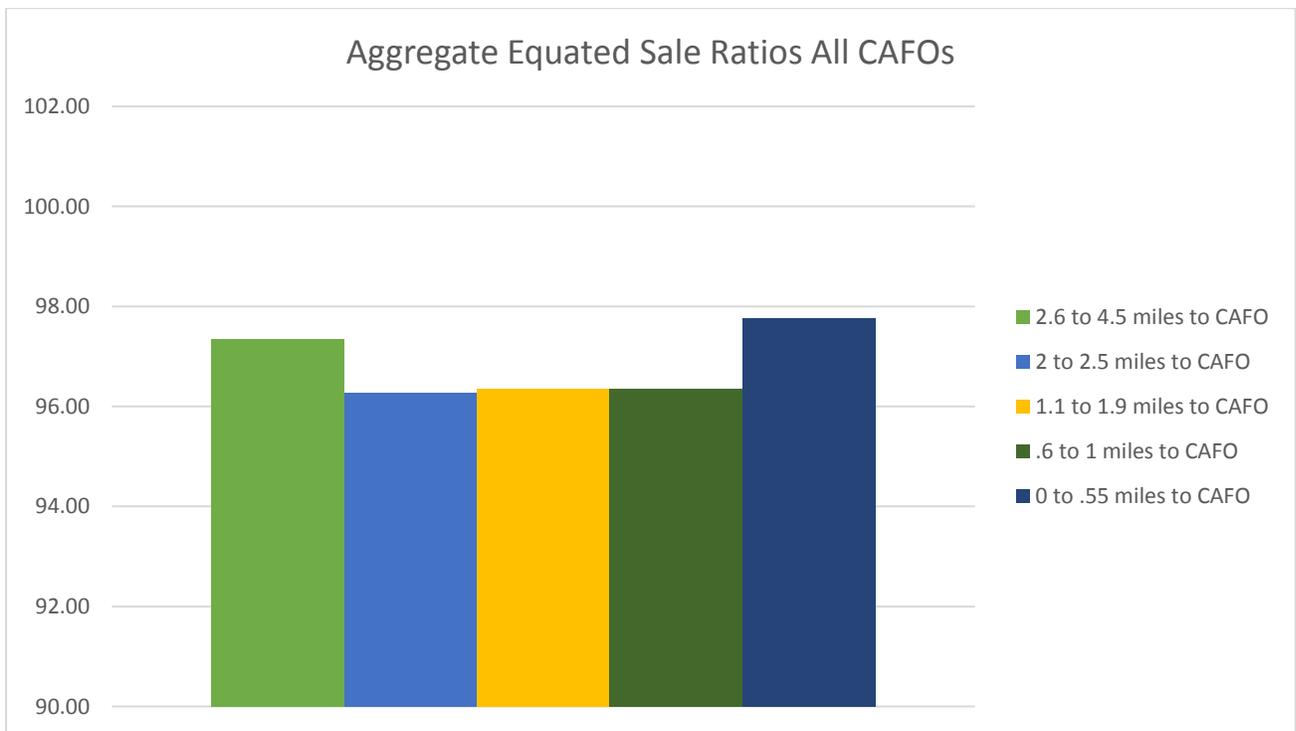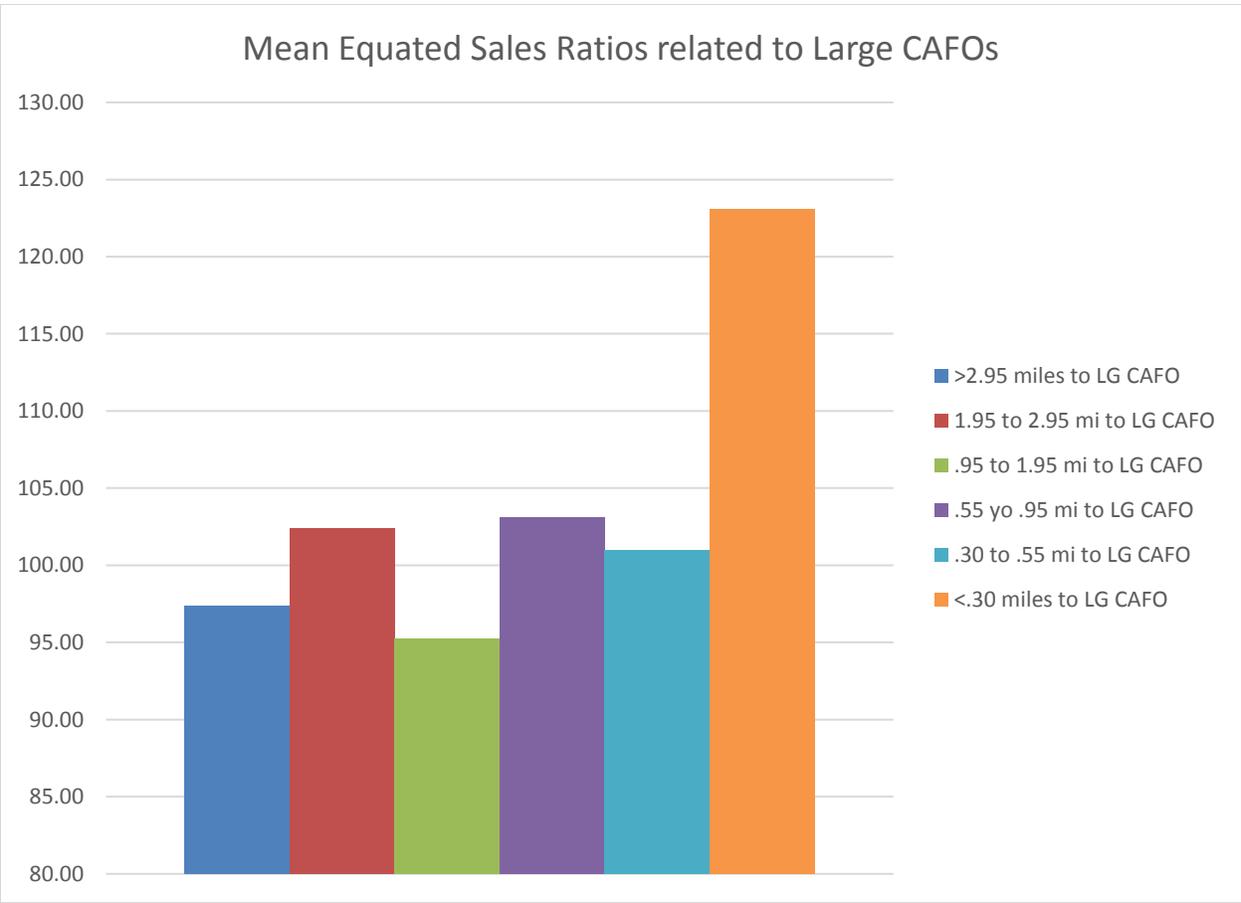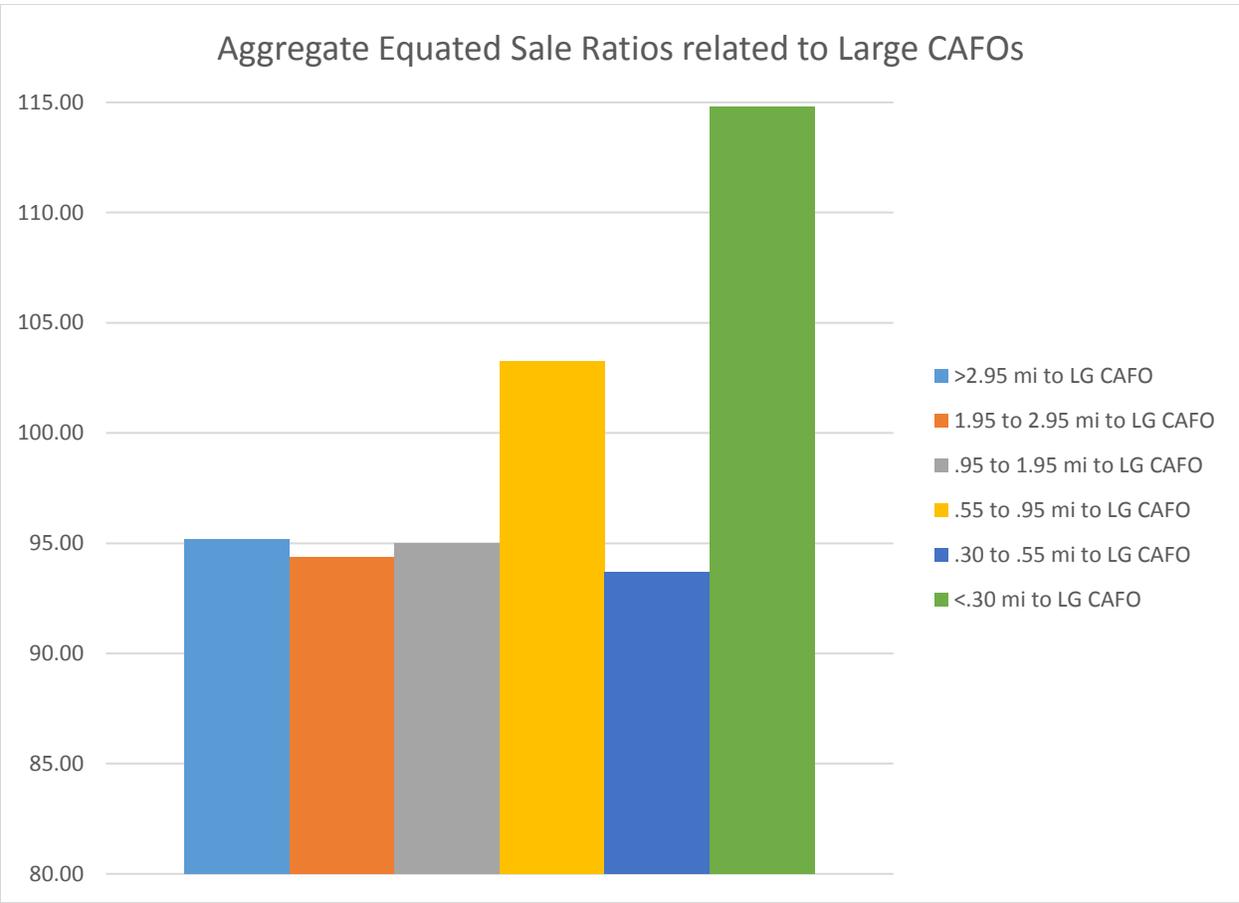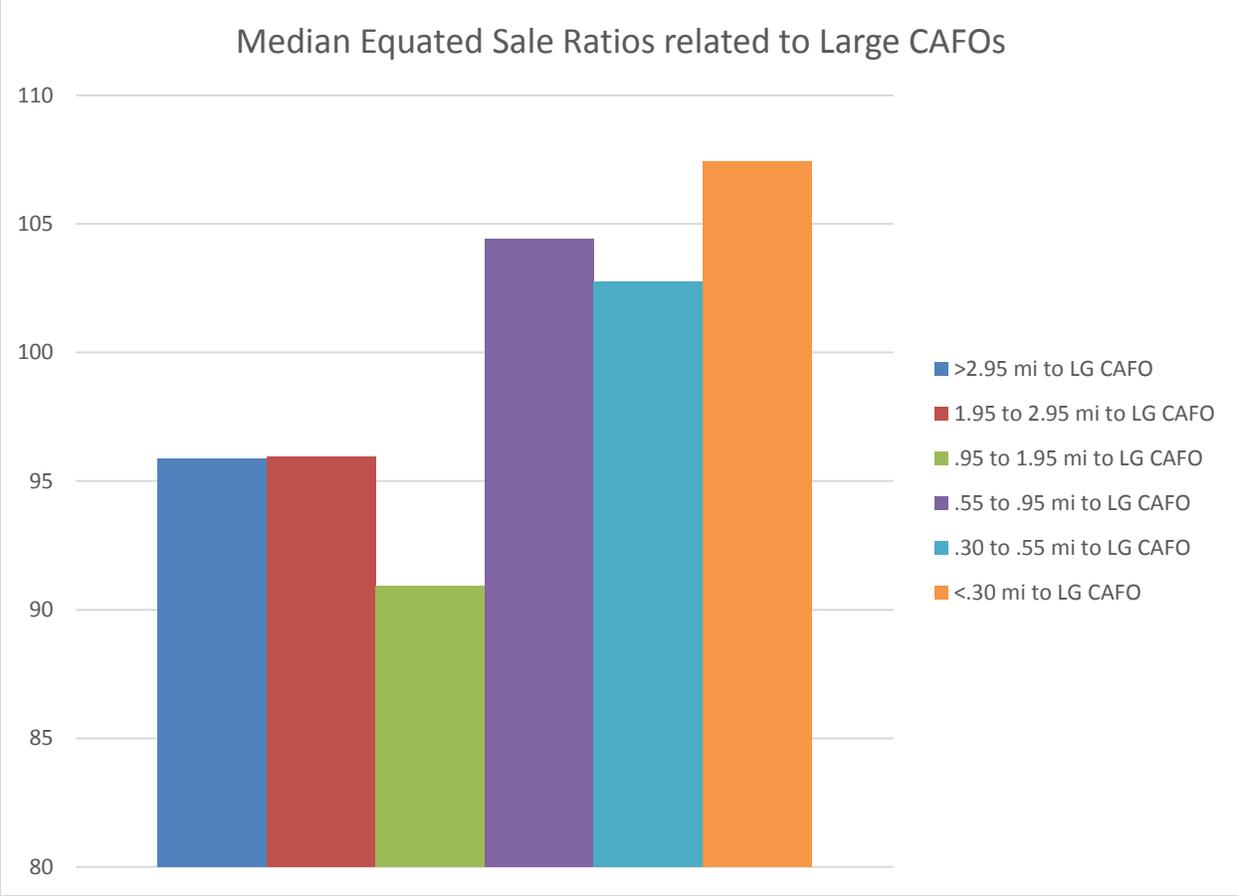

Figure 1

Figure 2

Figure 3

Median Equated Sale Ratios related to Large CAFOs

Legend:
- >2.95 mi to LG CAFO
- 1.95 to 2.95 mi to LG CAFO
- .95 to 1.95 mi to LG CAFO
- .55 to .95 mi to LG CAFO
- .30 to .55 mi to LG CAFO
- <.30 mi to LG CAFO

Figure 4

EQUATED RATIO COMPARISION FOR SIGNIFICANT DISTANCE GROUPS

95.40	102.75	107.42
>.95 MILES	.30 TO .95 MILES	<.30 MILES

Figure 5