

**CITY OF PLYMOUTH  
BOARD OF EQUALIZATION  
AGENDA  
APRIL 12, 2011, 6:00 p.m.  
COUNCIL CHAMBERS**

1. Call to Order.
2. City Assessor's Report.
3. Public Comments.
4. Adjourn.



City of  
**Plymouth**

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# 2011 Annual Assessment Report

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# SUMMARY

The 2011 property assessment has been submitted to Hennepin County and property owners have received a Notice of Estimated Market Value. The 2011 property assessment applies to property taxes payable in 2012 and reflects market conditions between October 2009 and September 2010.

The 2011 assessment affects all property owners in the City of Plymouth. As required by state law, the city assessor is required to reassess all property each year.

State statute requires *All real property subject to taxation shall be listed and assessed every year with reference to its value on January 2, preceding the assessment.* This has been done and the owners of property in Plymouth were notified of any change. Minnesota Statute 273.11 reads:

*All property shall be valued at its market value. It further states that “in estimating and determining such value, the Assessor shall not adopt a lower or different standard of value because the same is to serve as a basis for taxation, nor shall he adopt as a criterion of value that price for which such property would sell, or in the aggregate with all the property in the town or district but he shall value each article or description of property by itself, and at such sum or price as he believes that same to be fairly worth in money.*

The statute says all property should be valued at market value. This means that no factors (such as economics, personalities or politics) other than market shall affect the assessor’s value and the subsequent action by the Local Board of Appeal & Equalization.

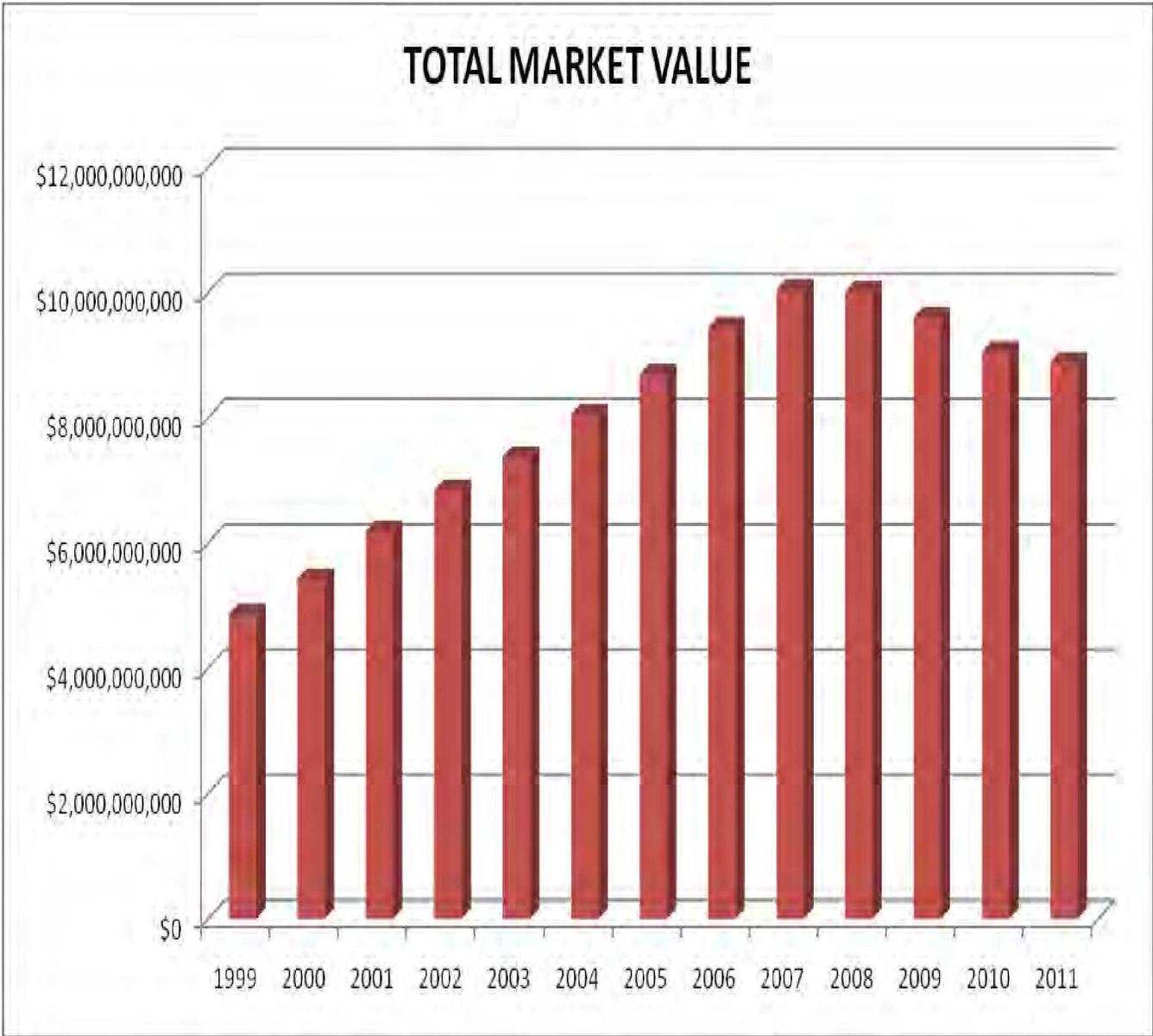
Market value is simply defined as the highest price estimated in terms of cash which a property will bring if exposed for sale on the open market by a seller who is willing but not obligated to sell, allowing a reasonable time to find a purchaser who is willing but not obligated to buy, both with knowledge of all the uses to which it is adapted and for which it is capable of being used.

The real estate tax is an *ad valorem* tax, a tax based on the value of property, not on the ability of the property owner to pay.

The 2011 assessment which includes new construction, quintile adjustments, and/or market adjustments, reflects a -1.5 overall valuation decrease from the 2010 assessment. The amount of new construction between January 2010 and January 2011 was \$50,037,900. The market change, exclusive of new construction was -2.1%.

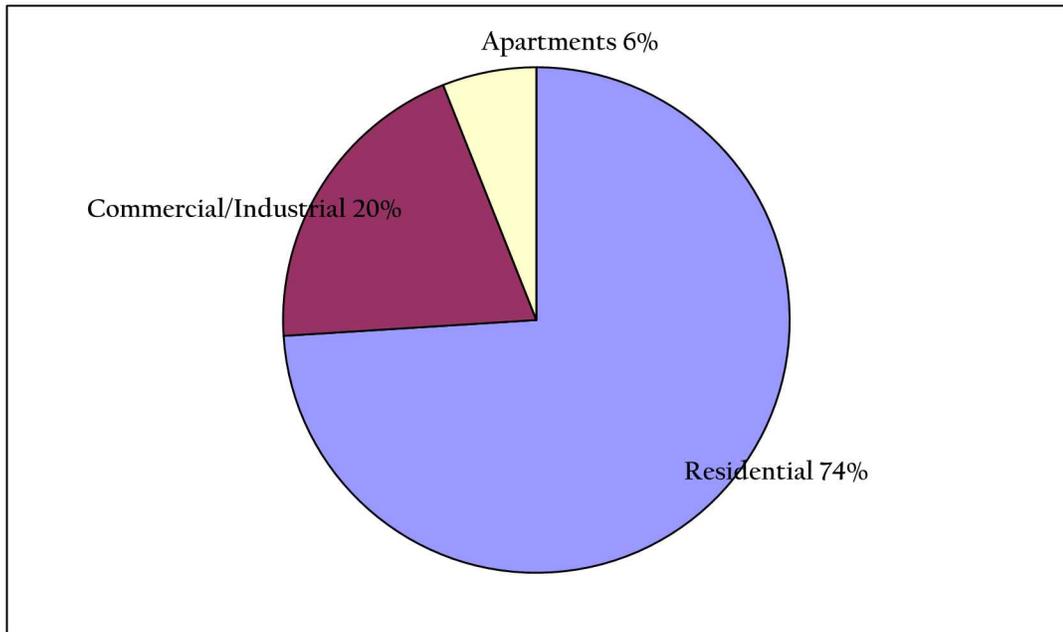
2010 TOTAL CITY VALUE	\$9,001,441,500
2011 TOTAL CITY VALUE (PRELIMINARY)	\$8,862,464,400
	<u>(138,977,100)</u>
PERCENTAGE CHANGE	-1.5%
VALUE OF NEW CONSTRUCTION	\$50,037,900
PERCENTAGE NEW CONSTRUCTION	0.6%
VALUE CHANGE TO EXISTING PROPERTY	-2.1%

# TOTAL MARKET VALUE



This graph illustrates the change in total market value from 1999 to 2011. Plymouth experienced consistent growth from 1999 through 2007. The increase occurred as a result of new construction, property improvements, and inflation. Since 2007 the total market value in Plymouth has decreased from a high of \$9.9 billion to \$8.8 billion.

## DISTRIBUTION OF 2011 ESTIMATED MARKET VALUE BY PROPERTY TYPE



### 2011 EMV

Residential	\$ 6,550,862,400
Commercial/ Industrial	\$ 1,774,523,300
Apartments	\$ 537,078,700
<b>Total</b>	<b>\$ 8,862,464,400</b>

This chart shows the total estimated market value by property type. Residential properties account for 74% of the estimated market value in Plymouth. Commercial and Industrial properties make up 20% of the estimated market value.

# Establishing Market Values

The intent of the annual assessment process is to make an accurate estimate of the market value for each parcel of property. Doing so requires updated information about the properties and the local real estate market. The Plymouth assessing division maintains a permanent record of every property in the city. The records consists of size, location, physical characteristics, condition, and a photo of the exterior. Records are updated as new information becomes available. State Statute require properties to be reappraised every five years. Information is updated during the scheduled reappraisal, when improvements are made to a property, or when a physical review is requested by the property owner. The information is electronic, allowing statistical comparisons of properties.

In the City of Plymouth, 94% of the 25,757 assessed parcels are residential. The assessing staff uses city-wide comparisons of similar styles, quality, and classes of homes to make the annual property assessment. This comparison results in the same market value adjustment being made to like properties throughout the city. The city is divided into over 600 homogenous neighborhoods that allow adjustments to be made based on locational influences.

It is important to know that assessors use a Mass Appraisal System for valuing residential and real property. This is different from appraisals used by banks, mortgage companies and others. Private appraisals focus on one property at a time. The CAMA (computer assisted mass appraisal) system involves the comparison of thousands of properties with the actual residential market sales from the same district, and market sales of the same quality and type of property throughout the city. New houses, additions and remodeling are valued based on their individual characteristics and the current replacement cost of construction as well as contributory value.

## Sales Data

To have the local assessment operate efficiently requires a tremendous amount of knowledge regarding the real estate market. The assessing division makes a record of all sale transactions using the Certificate of Real Estate Value (CRV) filed at Hennepin County at the time of sale. This sale information is combined with sale information obtained from the Multiple Listing Service (MLS) and other sources.

The staff also examines multiple sales—properties that have sold more than once over a period of years. After taking into account any physical changes that may have taken place, the assessor is able to determine what is happening in the real estate market during that time period. In all circumstances, sale information obtained by the assessing office is carefully scrutinized. Evidence suggesting a forced sale, foreclosure, a sale to a relative, or anything besides an “arm-length” transaction requires the sale to be removed from the statistical studies.

The value placed on properties is accomplished only after a thorough marketplace study is conducted. Costs of replacement are checked with local builders, as well as cost manuals which are created by experts in the field of building and appraising. Sales of property are constantly analyzed to see what is happening in the marketplace. The assessors/appraisers do not create value; they only measure its movement.

Equitably assessing property values is part science, part judgment, part communication skills, and largely a mystery to many property owners. The task becomes more difficult because property construction, financing and ownership are more complex today than ever before. Training cannot tell us how to find the “perfect” value of a property, but training can consistently produce the same estimate of value for identical property by different assessors. That is the working definition of equalization.

The following pages contain helpful information that will make your job as a member of the Board of Appeal & Equalization more productive.

The assessing division contacted other western suburban communities to get a comparison of overall market adjustments they have made to their existing residential properties. These amounts do not include increases in value due to new construction. As illustrated, Plymouth has market value adjustments for 2011 consistent with surrounding municipalities.

Residential Single Family Market Adjustments by Jurisdiction (excluding new construction)									
Jurisdiction	2003	2004	2005	2006	2007	2008	2009	2010	2011
Bloomington	9.0%	8.5%	7.9%	7.1%	1.9%	-2.9%	-5.5%	-5.6%	-3.7%
Eden Prairie	10.3%	7.5%	7.5%	6.2%	3.2%	-0.9%	-4.7%	-6.1%	-3.3%
Edina	8.5%	8.9%	7.6%	10.9%	3.0%	-1.1%	-1.9%	-4.8%	-2.7%
Maple Grove	9.5%	9.6%	8.4%	8.6%	2.8%	-2.9%	-5.0%	-5.4%	-3.5%
Minnetonka	10.5%	8.5%	6.6%	7.8%	2.2%	-1.8%	-4.3%	-6.4%	-2.3%
Plymouth	9.0%	9.0%	6.3%	7.6%	2.2%	-2.6%	-4.8%	-5.7%	-2.4%
Average	9.5%	8.7%	7.4%	8.0%	2.6%	-2.0%	-4.4%	-5.7%	-3.0%

# Local Board of Review & Equalization Authority

Minnesota Statutes, Section 274.01, states that the council of each city shall be or shall appoint a Board of Appeal & Equalization. The Plymouth City Charter requires the city council to act as the Local Board of Appeal & Equalization. The 2004 legislation enacted a law that requires members of the Local Boards to attend a training session that outlines their duties and responsibilities. The current council is compliant.

Property assessments ensure fair valuations, which impacts the relative share of the cost of local government services. It is the duty of the Assessor to assess all real and personal property except that which is exempt or taxable under some special method of taxation. If the burden of local government is to be fairly and justly shared among the owners of all property of value, it is necessary that all taxable property be listed on the tax rolls and that all assessments be made accordingly.

The authority of the local board extends over the individual assessments of real and personal property. The board does not have the power to increase or decrease by a percentage all of the assessments in the district of a given class of property. The County Board of Equalization can make changes in the aggregate assessments by class.

Although the local board has the authority to increase or reduce individual assessments, the total of such adjustments must not reduce the aggregate assessment made by the Assessor by more than one percent. If the total does lower the aggregate assessment by more than one percent, none of the adjustments will be allowed. This limitation does not apply, however, to the correction of a clerical error or to the removal of a duplicate assessment.

# Local Board of Review & Equalization Overview

The residential market continues to be sluggish. Listings are up and sales are down. The average time on the market for a sale is an average of 100 days at an approximate 89% of list price. The majority of residential properties in Plymouth saw a decrease to their 2011 estimated market value.

The average percentage changes in valuation are as follows:

<u>Property Type</u>	<u>Value Percent Change from 2008-2009</u>	<u>Value Percent Change from 2009 to 2010</u>	<u>Value Percent Change from 2010 to 2011</u>
Residential	-4.8%	- 5.7%	- 2.1%
Residential Lakeshore	-3.9%	- 8.1%	-5.2%
Condominiums	-6.0%	- 9.7%	- 5.5%
Townhomes	-6.0%	- 6.1%	- 3.2%
Apartments	-6.4%	- 8.5%	-0.1%
Commercial/ Industrial	-5.1%	- 4.3%	-3.7%

In reviewing the individual assessments, the board may find instances of **under** valuation. Before the board can raise the market value of property, it must notify the owner. The law does not prescribe any particular form of notice except that the person whose property is to be increased in assessment must be notified of the intent of the board to make the increase. The Local Board of Appeal & Equalization assures the property owner an opportunity to contest the valuation that was placed on the property or to contest or protest any other matter relating to the taxability of the property except the tax. The board is required to review the matter and make any corrections that it deems just.

Exceptions to the above market value changes include new construction, quintile areas, reappraisals, and/or other market adjustments.

The stages of development for Northwest Plymouth laid out in the comprehensive plan have changed the method for valuing rural property. There are now 5 different development stages with adjustments being factored in for distance from utilities, terrain, usability etc. Stage A, A.1 and B are being valued at \$160,000 an acre Stage C is at \$120,000 an acre with Stage D at \$100,000 an acre. The Department of Revenue has also defined a consistent value for assessing wetlands which is consistent throughout Hennepin County. Development in Plymouth has gone from stagnant to 7 new subdivision that are currently under construction.

The 2011 assessment represents many hours of staff research and time. We feel confident the 2011 assessment is fair and well equalized throughout the City of Plymouth

On March 14, 2011, 25,757 value notices were mailed to Plymouth property owners.

Respectfully submitted,

Assessing Department Staff

# 2011 Assessment Sales Ratio Study

The accuracy of the assessing division's estimated market value is measured by the sales ratio, which is the estimated market value divided by the actual selling price. Plymouth's preliminary residential median ratio entering the 2011 assessment was 97.3%. The sales ratio is determined by Hennepin County. Hennepin County compares the January 2, 2010, estimated market values to sales occurring from October 1, 2009, through September 30, 2010. The average residential decrease for the January 2, 2011, assessment was -2.1%. This was determined by comparing the January 2, 2011, estimated market values to the same sales, thus establishing the 2011 estimated market values at a median sales ratio of .952 and a mean ratio of .954 with a 5.2 coefficient of dispersion. The price related differential is currently at 100.929. This indicates the ability to treat high as well as low valued homes fairly. 100 is considered to be perfect. In accordance with the results of this sales study, certain areas of the city, certain styles, and certain sizes of houses were adjusted in value, either lower or higher than the prior year value, to more properly reflect actual market values.

The Minnesota Commissioner of Revenue and the Hennepin County Assessor have mandated that any jurisdiction falling below a 90.0% plateau will be forced into corrective action. Corrective action may cause everyone in the jurisdiction to suffer. Hennepin County suggest a ratio of 95.0%.

The 2010 average sale price of existing residential housing stock (off the lake) was \$338,900; this price does not include townhouses or condos. This is extracted from the Hennepin County Ratio Study of all arms-length transactions involving single family homes.

Lakeshore property was adjusted according to the sale activity on each lake. Average lakeshore property received a decrease of approximately 5.2%. The average sale price of existing lakeshore property in 2010 was \$600,429.

Various townhome and condominium complexes were adjusted according to market activity as well as studied to determine if the number of bedrooms per unit affected the sale prices. Townhomes and condominiums also decreased in market value. The average sale price of condominiums was \$150,726, an average decrease of -5.5%. The average town home sale price was \$235,286, down -3.2% from 2010.

STYLE	# OF SALES	AVG. SALE PRICE	MEDIAN RATIO
Ramblers	36	\$ 275,698	.959
Splits	98	\$ 275,797	.955
Two Stories	121	\$ 429,512	.940
Rambler-Cluster Homes	2	\$ 186,950	.989
Splits-Cluster Homes	6	\$ 217,711	.989
2 Stories-Cluster Homes	7	\$ 198,686	.904
Condominiums	66	\$ 150,726	.952
Townhomes	97	\$ 235,286	.952
TOTAL	336		

The apartment market has, in general, remained flat. The market adjustment was down 0.1% from the 2010 valuations.

In 2010, the commercial, industrial and multi-tenant properties are continuing to work through the down market while hoping the worst is behind them. This may be true for the larger investment properties, we have yet to see much change in the smaller owner/user and “mom and pop” type properties, some of which have gone into foreclosure or sold as short sales. There is a lot of product on the market and a lot of money waiting to be invested. When these two factors find a way to join forces is unknown, hopefully it is sooner than later.

The correlation between job losses and vacancy in commercial properties has resulted in a large amount of space available for sub-lease, a large amount of rent concessions, the price of net rents down. Property values will remain flat for the most part with some increase/decreases for equalization purposes.

As in 2009, Plymouth saw one retail transaction in 2010. Wal-Mart Stores Inc. purchased a large property at Rockford Road and US Hwy 169 for potential redevelopment.

Overall, the commercial and industrial markets declined approximately 1.4%. The overall drop is the result of a 1.1% decline in retail, 1.1% decline in lodging, 1.6% decline in restaurants, a 0.4% decline in industrial, 1.4% decline in land, and a 9.2% decline in office condominiums. The office market is up overall 2.0% based on a value increase of the three largest buildings in Plymouth.

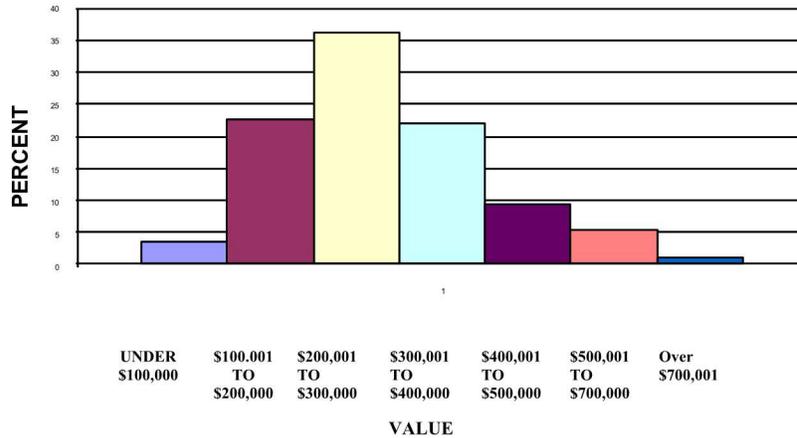
It is important to remember that a sales ratio of slightly less than 100 percent is desirable in order to avoid having numerous properties valued at more than their actual market value. With the median sale ratio at 100%, one half of the properties would be assessed at less than market value and one half assessed higher, putting too many over the actual market value. With a sales ratio of 95 percent it means that half of the properties are below 95 of actual market value, half are higher, and a relatively low number are valued by the assessor at more than actual market value. The acceptable range from the Commissioner of Revenue is 90 to 105 percent. Hennepin County sets the target ratio at 95 percent. Annual standards of measurement mandated by the Department of Revenue and enforced by Hennepin County tightly constrain the flexibility staff has to make adjustments to property values.

# 2011 ASSESSMENT STATISTICS

Total City Parcel Count (01-02-10)	25,496
Total City Parcel Count (01-02-11)	25,757
Parcel Count Per Appraiser 2011 Assessment	4,293
Assessor's Industry Standard per Appraiser	4,249
2010 Total Estimated Market Value	\$ 9,001,441,500
2011 Total Estimated Market Value (Preliminary)	\$ 8,862,464,400
2009 to 2010 Total City Valuation Growth	(5.3%)
2010 to 2011 Total City Valuation Growth	(2.1%)
2009 Total Building Permits	5,204
2010 Total Building Permits	6,281
(Does not include townhouses or condos) 2008 Plymouth's Median Home Sale Price	\$366,800
2008 Plymouth's Average Home Sale Price	\$335,000
2009 Plymouth's Median Home Sale Price	\$329,000
2009 Plymouth's Average Home Sale Price	\$359,000
2010 Plymouth's Median Home Sale Price	\$320,000
2010 Plymouth's Average Home Sale Price	\$338,900
2010 "Median" Sales Ratio (Assessment Level)	95.0%
2011 "Median" Sales Ratio (Assessment Level)	95.2%
2010 Coefficient of Dispersion (Assessment Accuracy)	5.1%
2011 Coefficient of Dispersion (Assessment Accuracy)	5.2%
2009 Approximate Number of Sales (including new construction)	1,067
2010 Approximate Number of Sales (including new construction)	1,872

# PLYMOUTH 2011 RESIDENTIAL PROPERTY

\$ VALUE	PERCENT	# OF HOMES
Under \$100,000	3.4%	764
\$100,001 to \$200,000	22.6%	5,073
\$200,001 to \$300,000	36.3%	8,178
\$300,001 to \$400,000	21.9%	4,933
\$400,001 to \$500,000	9.4%	2,116
\$500,001 to \$700,000	5.3	1,183
Over \$700,001	<u>1.1%</u>	<u>240</u>
Total	100%	22,487



## Living Unit Breakdown

TYPE OF DWELLING	2010 ASMT # OF UNITS	2011 ASMT # OF UNITS
Apartments	7,190	7,190
Single Family Homes	15,792	15,963
Duplex	66	64
Condominium	2,864	2,866
Townhomes	3,533	3,568
Permalease	28	26
Mobile Homes	59	59
Farm Houses	10	9
Seasonal Recreation	6	5
Co-Op Units	<u>210</u>	<u>212</u>
TOTAL LIVING UNITS	29,758	29,962

A increase of 204 living units over the 2010 assessment. Total number of homesteads 1/1/11 20,861.



# Value Exclusions

## **This Old House**

Since 1993, state law has provided for a deferral of a portion of the market value added to older homes through renovations commonly known as “This Old House”. The law has undergone many revisions since its conception. The law was phased out beginning with the 2003 assessment, and no additional properties can be enrolled in This Old House program. The last revision allowed deferrals for:

- 50% of the first \$50,000 of improvements to homes 45 years old.
- 100% of the first \$50,000 of improvements to homes over 70 years old.
- Total market value of the property must have been less than \$400,000 at the time the permit was issued.

For the 2011 assessment, 60 properties still have qualifying improvement amounts totaling \$724,500 that will be deferred. Properties that qualified will remain in the program until their 10 year exemption period is complete.

The 2011 assessment is the eighth year for phasing in the excluded values on properties that were eligible for the “This Old House” program. For properties with exclusions over \$10,000, the excluded value is phased in over a five-year period, at 20 % per year. For improvements less than or equal to \$10,000, the excluded value is phased back in over two years, at 50 % each year. By 2013, all of the properties with deferred values will have started to be phased back in, and in 2015, all of the excluded value will be restored.

## **Veterans Exclusion**

The 2008 State legislative session amended the homestead law that provides a market value exclusion for all or a portion of property used as a homestead by a military veteran with a service connected disability of 70% or more. To qualify, a veteran must have been honorably discharged from the United States armed forces and must be certified by the United States Veterans Administration as having a service connected disability.

A veteran who has a disability rating of 70 % or more qualifies for a \$150,000 market value exclusion. To qualify for this valuation exclusion, a property owner must apply to the assessor by July 1 of each assessment year.

A veteran who has a total (100 %) and permanent disability qualifies for a \$300,000 market value exclusion. This exclusion is a one-time application and the property continues to qualify until there is a change of ownership. If a disabled veteran qualifying for an exemption predeceases the veteran’s spouse, and if upon death of the veteran the spouse holds the legal or beneficial title to the homestead and permanently resides there, the exclusion will carryover to the benefit of the veteran’s spouse for one additional year or until such a time as the spouse transfers, sells, or otherwise disposes of the property, whichever comes first.

For the 2011 assessment, there are 59 Plymouth properties that have made application for this exclusion, with a total of \$1,666,400 excluded from taxation.

# Foreclosure Data

The City of Plymouth traces foreclosures for a number of reasons, however the properties are not used to determine overall assessment valuations. The Department of Revenue and Hennepin County require lender-mediated sales, such as foreclosures and short sales, to be rejected from the sales ratio criteria in determining property valuation.

Foreclosure is a legal process that allows a lender/bank to take possession of and sell a property due to non-payment of a loan that is secured by that property owner. After the completion of the foreclosure process, the lender/bank has title to the property. The foreclosure process begins when a borrower/owner defaults on loan payments, and the lender files a Notice of Default. In Minnesota, the Notice of Default is referred to as *Lis Pendens*. *Lis Pendens* is a publicly recorded notice of a pending lawsuit against a property that may affect the ownership of the property.

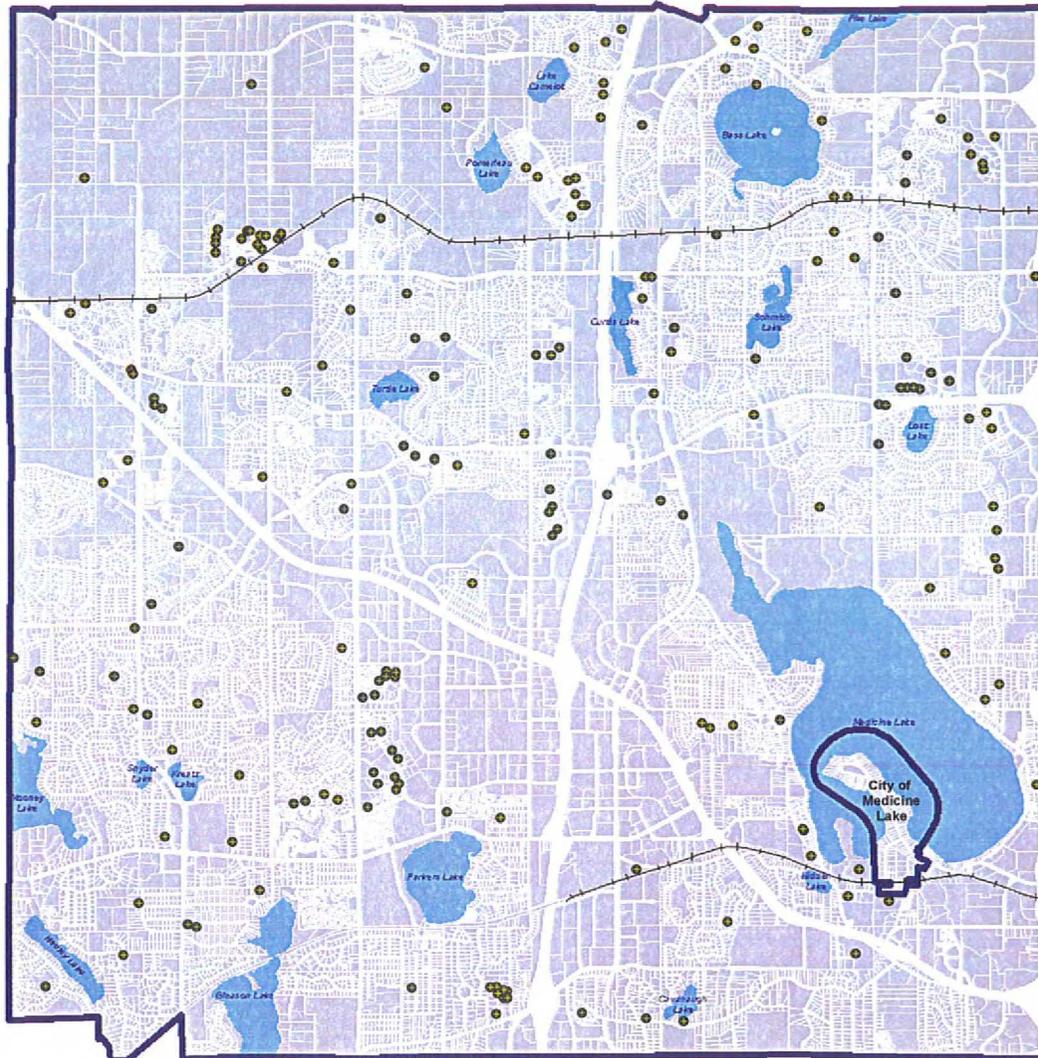
The Sheriff's Sale, as it is called in Minnesota, is the event where the property is sold to the highest bidder. The notice of a pending sale is published six weeks prior to the event, and the sheriff or designee will serve notice to the occupant one month prior to the sale. Typically the lender/bank will open bidding with the exact amount due at the time of the sale. Following the opening bid, other bidders are given an opportunity to bid at higher amounts. The successful bidder will receive a Sheriff's Certificate of Sale.

After the "Sheriff's Sale", the borrower has the right to buy back or redeem the property by paying the successful bidder the amount of the successful final bid plus interest and applicable fees. This is referred to as the redemption period. During the redemption period, which typically lasts six months, the original owner may continue to live on the property and the successful bidder may not enter the property without permission of the original owner.

If, after 6 months, the property is not redeemed, the highest bidder at the Sheriff's Sale is the undisputed owner of the property. At this time, if the lender/bank is the owner of the property, the property is typically listed for sale. The sale that transpires is the sale that is rejected from the sales study used in analysis' to calculate market value adjustments.

Another type of sale that is considered but excluded from the ratio analysis is a short sale. Short sales are special arrangements where the financial institution and the in-fault homeowner attempt to sell the property before the foreclosure process, generally for an amount less than the current mortgage obligation. These sales are more difficult to track because there is no recording of this type of sale; it must be monitored searching sales through the Multiple Listing Service and sales verification.

The 209 remaining foreclosures in Plymouth represent less than 1% of the housing stock in the city. Approximately 55% were homestead properties while the remainder were mostly rental properties, vacant land or commercial properties. It is also important to note that 27 of the foreclosures were listed within 2 condominium complexes. Except for the aforementioned complexes, the foreclosures were evenly dispersed throughout the city. In 2009 there were 308 properties that went into foreclosure and 270 have since been resold. In 2010 there were 210 properties that went into foreclosure and 39 have since sold. The number of foreclosures has decreased from 2009 to 2010 with the majority of properties being resold within one year.



# Foreclosure Properties



City of  
Plymouth, Minnesota



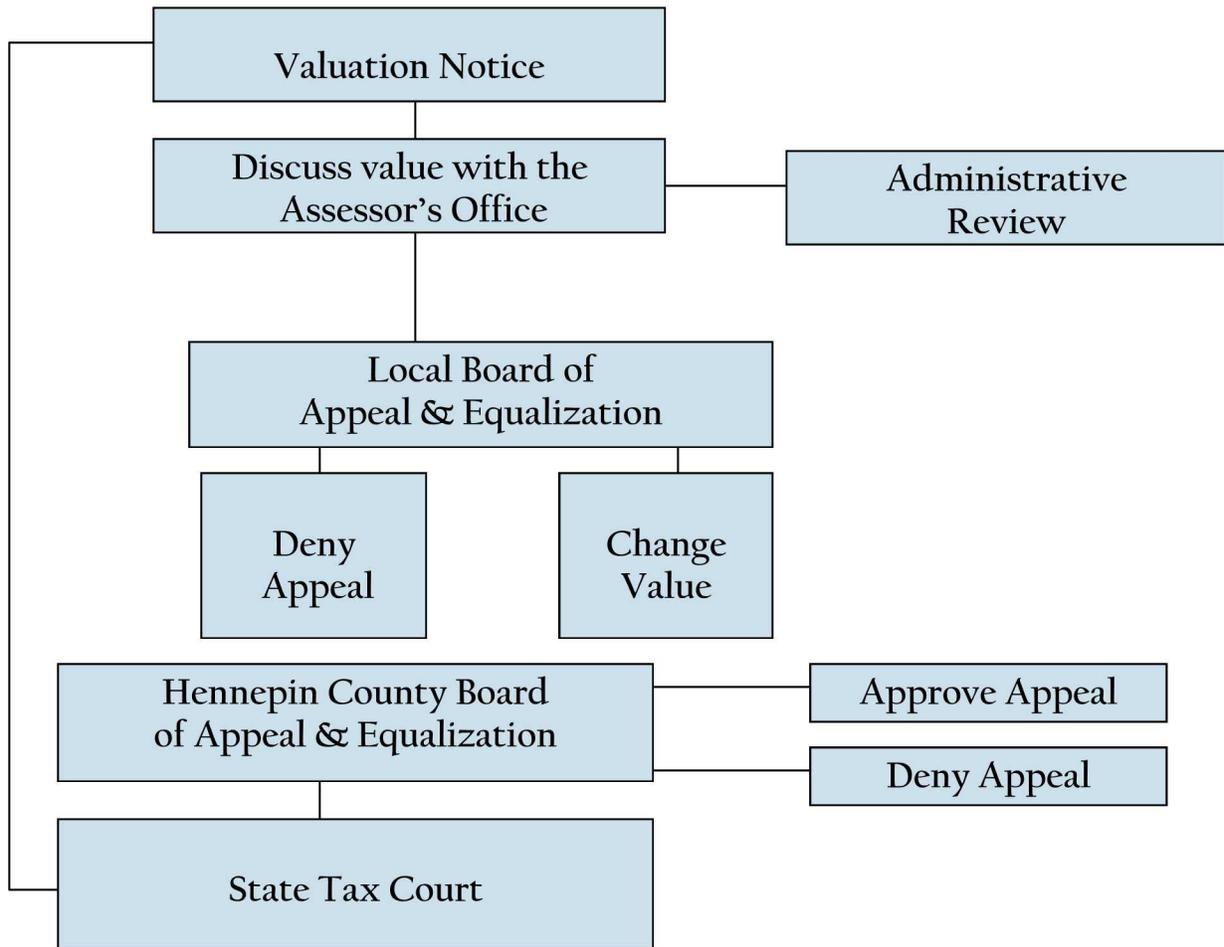
THIS REPRESENTS A COMPILATION OF INFORMATION AND DATA FROM CITY, COUNTY, STATE AND OTHER SOURCES THAT HAS NOT BEEN FIELD VERIFIED. INFORMATION SHOULD BE FIELD VERIFIED AND COMPARED WITH ORIGINAL SOURCE DOCUMENTS.

Plymouth GIS

## Legend

- Current Foreclosure Properties
- City Boundary
- Lakes

# APPEAL PROCESS



## Appeal Process

Following the mailing of the assessment valuation notices the appeal process is a key aspect to the annual property assessment. Residents having questions about their 2011 valuation or classification are urged to contact the local assessing department. This allows staff to discuss property characteristics and where needed, conduct an on-site review. No changes will be made to a valuation without an on-site inspection. Because some properties receive statistical-based adjustments to market value, the review allows the assessing staff the opportunity to individually examine certain properties.

By appealing to the Local Board of Appeal & Equalization the petitioner is granted the opportunity to appeal to a higher authority if unsatisfied with the decision. Where there is evidence a property has been overvalued or valued inequitably, its market value can be readjusted to an appropriate amount. An appeal can result in values staying the same, being reduced or, in some cases, being increased.