

**CITY OF PLYMOUTH  
BOARD OF EQUALIZATION  
AGENDA  
APRIL 9, 2013, 6:00 p.m.  
COUNCIL CHAMBERS**

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



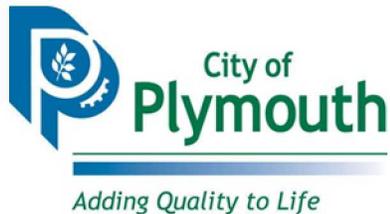
City of  
**Plymouth**

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# 2013 Annual Assessment Report

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**To:** Plymouth Board of Appeal and Equalization

**From:** Janene Hebert, City Assessor

**Re:** 2013 Local Board of Appeal and Equalization

**Date:** 4/1/2013

The format of the 2013 report has changed to include additional information and instruction pertaining to the Local Board of Appeal and Equalization.

The first half of the report includes information on the purpose, role, and duties of the board. At the direction of Hennepin County and the Department of Revenue, any changes made within ten days of the board will need to be brought to the board for approval. We will continue to work with property owners after March 29th and present the changes to the board as recommendations to be voted on individually at the meeting.

The second half of the report will include a summary of the assessment including the traditional statistical analysis and general information. The information presented in the second half will hopefully make your job as a member of the Board of Appeal & Equalization easier to understand.

The Board of Appeal and Equalization will be held on April 9, 2013. The purpose of the board is to hear testimony from property owners on their objections to the Assessor's 2013 estimated market value or property classification. This may be done in three ways:

- (1) in person,
- (2) in writing, or
- (3) by the property owner's representative.

The Board of Appeal & Equalization is **not** empowered to adjust taxes, but only address the 2013 estimated market value or classification questions.

At the conclusion of the meeting, the Board of Appeal & Equalization may recess, and may reconvene on April 23, 2013 at 6:00 p.m. Decisions on all appeals should be made after all appeals have been heard and based on information submitted by the property owner and staff reports prepared by Assessing Division staff appraisers.

Please read through the information and feel free to contact me with any questions or comments you may have before the Board convenes.

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# Purpose of the Board

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The purpose of the Board of Appeal and Equalization is to provide a fair and objective forum for property owners to appeal their valuation or classification. The local board often serves as the first formal step in the appeals process for taxpayers.

One of the most important duties placed by law upon the governing body of a city is to serve as the Board of Appeal and Equalization. Effective actions taken by the board may potentially make a direct contribution to attaining assessment equality.

The goal of the Board of Appeal and Equalization should be to attempt to address property owners' issues efficiently, fairly and objectively.

Always keep in mind that any changes made by the board must be substantiated by facts. Any value reductions must be justified because they have the effect of shifting the tax burden to other properties in the jurisdiction. Furthermore, any changes made by the board must meet statutory guidelines.

# Role of the Board in the Assessment Process

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The Board of Appeal and Equalization has the authority to change the valuation or classification of a property for the current assessment year. Taxes or prior year assessments are not within the jurisdiction of the board.

Any decisions made by the board must be supported by facts and by Minnesota law. The board must make informed decisions and ensure all taxpayers are treated fairly and uniformly.

In order to make an informed decision on the valuation or classification of a property, it is important to understand the concepts of valuation and classification.

These two concepts are equally important in the assessment process. They are both determined on the assessment date, January 2, each year.

We will look at the definition of market value and explain how classifications are determined.

## Market Value

State law requires that all property shall be valued at its market value (Minnesota Statutes, Section 273.11, subdivision 1).

Minnesota Statutes, Section 272.03, subdivision 8 defines “market value” as follows:

*“ ‘Market value’ means 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, if it is determined by the assessor that the price from the auction sale represents an arm's-length transaction. The price obtained at a forced sale shall not be considered.”*

The definition of market value usually implies the consummation of a sale as of a specific date under the following conditions:

- The buyer and seller are typically motivated;
- Both parties are well informed or well advised and both are acting in what is considered to be their own best interest;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in cash or its equivalent;
- Financing, if any, is on terms generally available in the community on the specified date and typical for the property type in its locale; and
- The price represents a normal consideration for the property sold unaffected by special financing amounts and/or terms, services, fees, costs or credits incurred in the transaction.

In other words, market value is the price that would tend to prevail under typical, normal competitive open market conditions.

Minnesota Statutes, Section 273.11, subdivision 1 further states:

*“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 of taxation, nor shall the assessor adopt as a criterion of value the price for which such property would sell at a forced sale, or in the aggregate with all the property in the town or district; but the assessor shall value each article or description of property by itself, and at such sum or price as the assessor believes the same to be fairly worth in money.”*

The law provides that all property **must** be valued at market value, not that it **may** be valued at market value.

This means that factors other than market value issues (such as personalities or politics) should not affect the market value determined by the assessor. Non-market value factors also should not affect the actions of the Board of Appeal and Equalization.

### ***Estimated market value***

The value determined by the assessor as the price the property would likely sell for on the open market is called the estimated market value (EMV). This value is determined on the assessment date, January 2 of each year.

**The EMV for the current assessment year is the only value property owners may appeal to the board, even though taxpayers will also be given a taxable market value.**

### ***Taxable market value***

Taxable market value (TMV) is the value that property taxes are actually based on, after all reductions, limitations, exemptions, exclusions and deferrals.

There are many programs and provisions in Minnesota law that allow for a property's EMV to be different from its TMV. For example, qualifying veterans who are disabled receive an exclusion of up to \$150,000 or \$300,000 of their property's EMV. This reduction is reflected in their TMV.

Other programs and provisions to be aware of include the Homestead Market Value Exclusion (HMVE), Veterans Exclusion, Agricultural Property Tax Law (Green Acres), the Rural Preserve Property Tax Program (effective for the 2011 assessment) and Plat Deferment. If you have questions about these or any other programs, please call the assessing office.

The board cannot change the TMV of a property. The only value the board has the authority to change is the EMV for the current year. Changing the EMV may ultimately change the TMV, but it is important to note that there can be instances where the board raises or lowers the EMV, and the TMV remains the same.

## **Classification**

In Minnesota, property is classified according to its actual use on the assessment date (January 2 of each year). If the property is not currently being used, it is classified according to its most probable, highest and best use.

Property classifications are defined in Minnesota Statutes. Examples of classifications include residential homestead, residential non-homestead, apartment, commercial, and agricultural. The board can change the classification for the current assessment year of any property which in the board's opinion is not properly classified. The classification must be based on use, and in order for the board to change the classification, the owner must present evidence that the property is used in a manner consistent with the classification he/she is seeking.

The board can only change the classification of a property to a classification that is permitted by law. For example, the assessor classifies a property as residential. The owner seeks the agricultural classification. In order for the board to change the classification to agricultural, the owner must prove that the property is used agriculturally and meets the statutory requirements of the agricultural class.

It is important to remember that use – not zoning – is the key factor in determining the classification of a property.

## Overview of the Assessment Process

The assessment of property – determining the estimated market value and classification – technically occurs on January 2 (the assessment date) of each year. The work and analysis required to make these estimations involves several months before and after the assessment date, however.

Most of the field inspections of real estate for the next assessment begin in the summer and continue through the fall. For example, assessors will inspect properties starting in the summer of 2012 for the January 2, 2013 assessment. These inspections are when the assessor identifies and records the specific characteristics of each property being reviewed. These characteristics include square footage, condition of the property and number of bedrooms, for example. Assessors gather a lot of information to help them estimate each property's value and determine its use for classification purposes. This field inspection work is completed as the assessment date nears.

At about this same time, assessors start work on analyzing sales and other market data in a sales ratio study to help them estimate values. The sales included in this sales ratio study should represent a typical open market. The sales are from October 1 of two years prior to the assessment year to September 30 of the year prior to the assessment year. In other words, sales from October 1, 2011 to September 30, 2012 are included in the study for the 2013 assessment.

Based on the field inspections and sales ratio study, all taxpayers are notified of their value and classification for that January 2 assessment date in the spring of each year. This notification initiates the appeals process that continues until the middle of June at the local level. Once the appeal process is complete, the assessor starts work on the next assessment, and the entire cycle starts again.

The final value and classification for each property for each assessment year is used in determining that property's taxes in the following year. For example, the value and classification for the 2013 assessment, once finalized, is used to determine the taxes paid in 2014.

### ***Assessor estimates value***

The assessor determines the approximate selling price (or EMV) for each taxable parcel based on the conditions of the market on January 2 of each year. The assessor is required by law to view each property at least once every five years. However, **even if the assessor did not physically visit a property for that assessment year, the property is subject to valuation changes to reflect market conditions.** The assessor is required to estimate the market value as of January 2 of each year to reflect current market conditions because the real estate market is constantly changing – sometimes dramatically.

When the assessor views the interior of a property, he/she can make a more accurate assessment and eliminate any guesswork. The assessor bases his/her assessment on multiple factors, including size, age, condition, quality of construction and other features such as fireplaces.

The assessor compares the property to actual sales of similar properties in the area to determine the EMV of a property. In addition to this approach to determining value, the assessor may also consider the cost to construct the property or the income generated from the property. These techniques are often referred to as the “three approaches to value.”

### ***Assessor determines classification***

Along with estimating the market value of each property, the assessor must determine the classification, or use, of each parcel of property. Property classifications are defined in Minnesota Statutes, and the assessor classifies the property based on its use as of January 2 of each year. Examples of classifications include residential homestead, residential nonhomestead, apartment, commercial and agricultural.

### ***Assessor reviews sales ratio***

Assessors analyze the sales in a community in order to understand local market trends and provide direction in estimating values. Whenever real estate is sold for more than \$1,000 a certificate of real estate value (CRV) must be filed in the county in which the property is located.

The assessor uses CRVs to analyze actual sales of property and to complete sales ratio studies for each community and for each type of property. The ratio is determined by dividing the EMV by the sale price. The assessor uses the sales as guides to estimate what similar properties would likely sell for on the open market. It is important to remember that one sale, taken by itself, does not necessarily reflect the actual real estate market in a jurisdiction.

In addition to the sales ratio study conducted by the assessor, the Department of Revenue conducts a similar independent sales ratio study for the jurisdiction to monitor how close the median ratio is to the required level of assessment and is used by the State Board of Equalization. The Department of Revenue's sales ratio studies should be the same or similar to the studies conducted by the assessor.

### ***The Sales Ratio Study***

The sales ratio study is a tool assessors use to help determine values for properties. The study helps assessors plan the upcoming assessment and evaluate the current assessment. If results of the study are not within acceptable guidelines, the assessor is required by law to either decrease or increase values so that they more closely reflect the market.

The sales ratio study period includes sales that have occurred in a twelve month period. For the January 2, 2013 assessment, the assessor reviews sales that occur between October 1, 2011 and September 30, 2012. By design, there is a lag between the sale and when it is used to help estimate value so it can be verified and reviewed for accuracy.

The assessor only considers sales that have been verified as typical and open market. This means the buyer and seller are typically motivated, both parties are acting in their own best interests and a reasonable time is allowed for marketing. According to state law, the assessor must not use sales that cannot be verified as open market sales. This means sales between family members, for example, are not included. This also means that foreclosure sales are very rarely (if ever) included.

The assessor completes a sales ratio study by gathering basic data and screening and editing information to make any adjustments and exclude all sales that do not represent arm's-length transactions. The remaining data is put into an acceptable format for processing (usually done by computer) and sorted by similar property types within each city or township (or neighborhood if possible). Finally, statistics are computed to describe the information and determine results of the assessor's work.

There are numerous calculations in a sales ratio study that describe the overall levels and quality of the assessment. An important one is the sales ratio; it shows the relationship between the EMV and a property's sale price. It is the EMV divided by the sales price.

The median sales ratio is the midpoint (middle) of all the individual ratios that are included for that property type in that city or township for that study period when they are put in order.

In Minnesota, this median sales ratio should be between 90% and 105%. This means that when all sales from that study period for that property type are put in order from smallest to largest ratio, the middle ratio should be between 90% and 105%.

### ***Assessor notifies taxpayer***

The assessor notifies taxpayers of their values and classifications each year after they have been estimated on the assessment date. This notification – the Notice of Valuation and Classification – must be mailed at least 10 days prior to the Local Board of Appeal and Equalization meeting.

At this point, the property owner can appeal the EMV and/or classification if he/she feels that the property is:

- classified improperly;
- valued at an amount higher than they could sell the property for; and/or
- valued at a level different from similar properties in the area.

### ***The property owner should first contact the assessor's office to discuss questions or concerns***

Issues often can be resolved at this level. If questions or concerns are not resolved after talking with the assessor, formal appeal options are available:

- Property owners may appeal to the Local Board of Appeal and Equalization;
- If the property owner is not satisfied with the local board's decision, he/she may then appeal to the County Board of Appeal and Equalization; and/or
- The property owner may appeal to Tax Court.

The Notice of Valuation and Classification must provide the property owner with the date, time and location of the Local and County Boards of Appeal and Equalization.

### ***Required forms for documenting board actions***

To ensure that the information is consistent from local jurisdiction to local jurisdiction and from county to county, the Department of Revenue requires that each board complete the following two forms for each meeting:

- *Board of Appeal and Equalization Certification Form* – must be completed **and signed** to verify that the quorum and training requirements were met and to provide a summary of board actions; and
- *Board of Appeal and Equalization Record Form* – must be completed to provide a detailed report of the proceedings of the board.

# Duties of the Board

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The board is to determine whether all of the taxable property in the jurisdiction has been properly valued and classified for the current assessment. All property is to be valued at its market value, and all property is to be classified according to use. It is assumed that the assessor has properly valued and classified all the property in the jurisdiction. The burden of proof rests with the property owner who must present factual evidence to disprove the assessor's value or classification.

The complaints and objections of property owners appealing individual assessments for the current year should be considered very carefully by the board. An appeal may be made in person, by letter, or through a representative of the owner. Written objections should be filed prior to the meeting of the Board of Appeal and Equalization and must be presented to the board for consideration while it is in session. The board must hear all complaints and examine all letters. Such assessments must be reviewed in detail, and the board has the authority to make corrections as it deems to be just.

The board should look for improvements that are not on the tax rolls. When improvements are missing from the tax rolls, an unfair burden falls upon the owners of all properties that have been assessed. If the board finds any improvements that are not on the tax rolls, the board should place it on the assessment list along with its market value, and correct the assessment so that each tract or lot of real property and each article, parcel or class of personal property is entered on the assessment list at its market value.

## ***Prohibition on changes within 10 days of local board meeting***

Since the Notice of Valuation and Classification must be mailed to taxpayers at least 10 days prior to the meeting of the Local Board of Appeal and Equalization, the assessor should not make changes to the valuation or classification of a property within that 10-day window without bringing the change to the local board for action. After receiving the notice, the property owner can contact the assessor to discuss questions or concerns. The assessor can make changes to the valuation or classification without bringing the change to the local board if a new notice is mailed to the property owner at least 10 days prior to the local board meeting. Oftentimes, the assessor will continue to review properties within 10 days of the local board meeting. However, if the assessor makes a change, that change should be brought to the local board for action. If the property owner agrees with the change, he/she does not need to personally appeal to the board. Instead, the assessor should present such changes to be voted on by the board.

## ***What the board can do:***

***Reduce the value of a property.*** The board may reduce the value of a property if the facts show that the property is assessed at a value that is higher than its market value. All property is to be valued at its market value. It is assumed that the assessor has properly valued the property. The burden of proof rests with the property owner who must present factual evidence to disprove the assessor's value.

***Increase the value of a property.*** The board may increase the value of a property if the facts show that the property is assessed at a value that is lower than its market value. The board must also base the decision to increase the market value on facts. All property is to be valued at its market value. It is assumed that the assessor has properly valued the property. The board must rely on factual evidence to disprove the assessor's value. Before the board raises the market value of a 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 owner must be notified either in writing or orally. He/she should be given a time to appear before the board. After the hearing, the board should make any corrections that it deems just.

***Add improvements to the assessment list.*** In reviewing the individual assessments, the board may find instances where property is not listed at its market value because the value of a building or other improvement was not included when the market value of the property was estimated. These should be carefully reviewed by the board and placed on a tentative list of property values to be increased. The board should then determine to what extent the valuation of such property should be increased. Before the board adds value for new or overlooked improvements, it must notify the owner.

***Change the classification of a property.*** In Minnesota, property is classified according to its use on the assessment date (January 2 of each year). If the property is not currently being used, it is classified according to its most probable, highest and best use. Property owners do not get to choose how they want their property to be classified. It is the assessor's job to classify it according to its current use or its most probable, highest and best use. The board can change the classification of any property which in the board's opinion is not properly classified. Again, it is assumed that the assessor has classified the property correctly. The classification must be based on use, and in order for the board to change the classification, the appellant must present evidence that the property is used in a manner consistent with the classification.

***Local Boards Only: Add properties to the assessment list.*** If the board finds that any real or personal property has not been entered onto the assessment list, the board shall place it on the assessment list along with its market value, and correct the assessment so that each tract and lot of real property and all personal property is entered on the assessment list at its market value.

#### ***What the board can't do:***

***The board can't consider prior year assessments.*** The Board of Appeal and Equalization does not have the authority in any year to reopen former assessments on which taxes are due and payable. The board considers only the assessments that are in process in the current year. Occasionally, a property owner may appear with a tax statement and protest the taxes or assessment of the previous year. The board should explain tactfully that it does not have the authority to consider such matters. After taxes have been extended, adjustments can be made only by the process of application for abatement or by filing a tax court petition.

***The board can't reduce the aggregate assessment by more than 1 percent.*** Although the both Local Board of Appeal and Equalization has the authority to increase or reduce *individual* assessments, they cannot change an *entire* class of property. Furthermore, the total of all adjustments must not reduce the aggregate assessment of the jurisdiction by more than 1 percent. **If the total amount of adjustments made by the board does lower the aggregate assessment by more than 1 percent, none of the adjustments will be allowed.**

***The board can't exempt property.*** The Board of Appeal and Equalization does not have the authority to grant an exemption or to order property removed from the tax rolls.

***A member of the board can't make changes to property in which he/she has a conflict of interest or financial interest.***

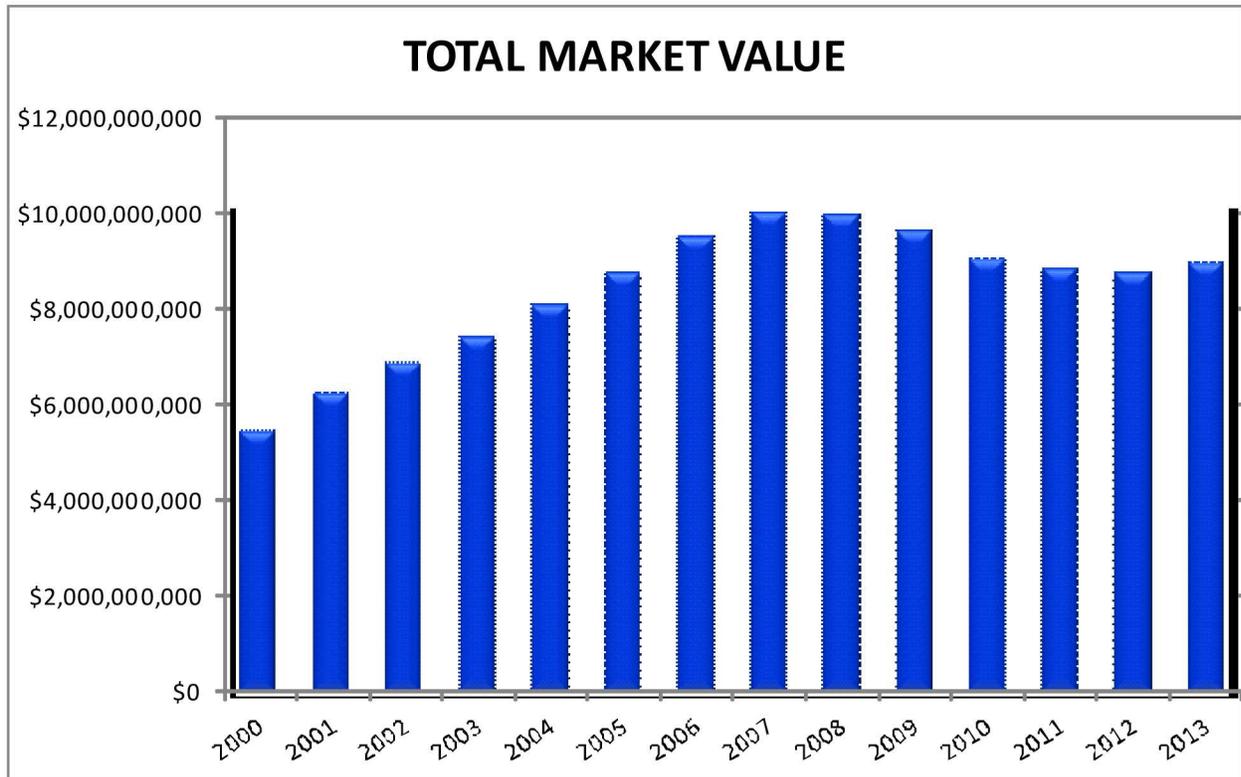
***The board can't grant special program status.***

***The local board can't make changes benefiting a property owner who refuses entry by the assessor.*** The board may not make an individual market value adjustment or classification change that would benefit the property in cases where the owner or other person having control over the property will not permit the assessor to inspect the property and the interior of any buildings or structures.

# 2013 Assessment for Taxes Payable in 2014

The 2013 property assessment has been submitted to Hennepin County and property owners have received a Notice of Estimated Market Value. The 2013 property assessment applies to property taxes payable in 2014 and reflects market conditions from October 1, 2011 through September 30, 2012.

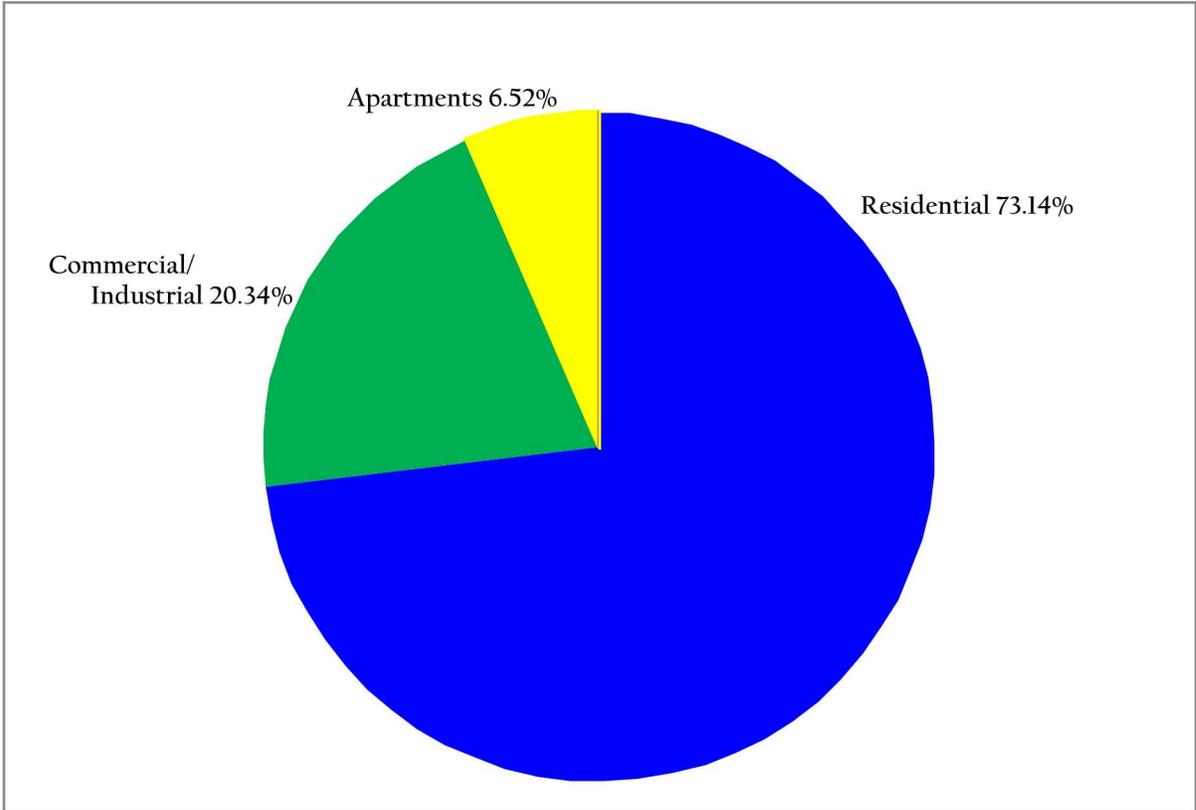
The total market value of the city increased between 2012 and 2013, up 2.3% to \$8.9 billion. The total market value of the City had fallen to \$8.7 billion in 2012 as a result of the Great Recession. As demonstrated in the following table, the total market value increased steadily from 2000 until 2007 when it peaked at just under \$10.0 billion.



The 2013 assessment, which includes new construction, quintile adjustments, and/or market adjustments, reflects a 2.3% overall increase from the 2012 assessment. The amount of new construction between January 2012 and January 2013 was \$125,582,700. The market change, exclusive of new construction was 0.9%.

<b>2013 Total City Value (Preliminary)</b>	<b>\$8,907,695,600</b>
<b>2012 Total City Value</b>	<b><u>\$8,704,103,800</u></b>
	<b>\$ 203,591,800</b>
<b>Percentage Change</b>	<b>2.3%</b>
<b>Value of New Construction</b>	<b>\$ 125,582,700</b>
<b>Percentage New Construction</b>	<b>1.4%</b>
<b>Value Change to Existing Property</b>	<b>0.9%</b>

# Distribution of 2013 Estimated Market Value by Property



### 2013 Estimated Market Value

Residential	\$ 6,515,047,300
Commercial/Industrial	1,811,801,600
Apartments	<u>580,846,700</u>
Total	\$ 8,907,695,600

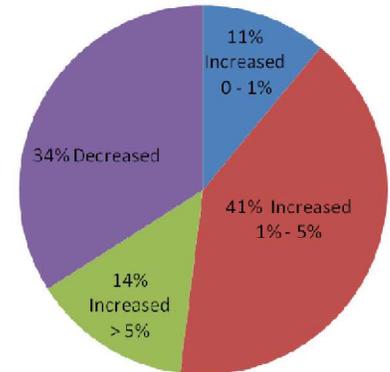
This chart shows the total estimated market value by property type. Residential properties account for 73.14% of the estimated market value in Plymouth. Commercial and Industrial properties make up 20.34% and Apartments constitute the remaining balance of 6.52% of the estimated market value in Plymouth.

## Highlights of the 2013 Assessment

Highlights of the changes in the assessment are as follows:

- The value of all residential properties is up approximately 2.5%; 1.7% is the result of new construction and 0.8% is an increase in values. The growth in property values of the traditional single family homes carried the increase, with an overall increase of 1.1%. The increase in residential property values was offset by declines in the townhouse, condominium and lakeshore markets, decreasing 0.7%, 4.4% and 4.0%, respectively, from the prior year.
- For the 2013 assessment, the change in property values varied with 34% of the properties continuing to decline, while the balance remained unchanged or increased. Presented on the right is a distribution of the market value changes.

Of those properties receiving increases greater than 5%, the increases tended to be neighborhood specific, well supported, and based on documented sales activity.



- The 2012 average sale price for the 2013 assessment of a detached single family home was \$333,960, up slightly from the average sale price of \$322,859 reported for 2012, nearing the 2011 reported average of \$338,900. It is important to note that new construction sales and non-arm's length sales as well as lender mediated sales are typically not reflected in the average sale price reported in the sales ratio analysis.
- The median value of all single family residences including single family detached, townhomes, and condominiums is \$255,500, compared to \$250,900 for 2012 and \$261,500 for the 2011 assessment.
- The Apartment property values are up approximately 3.0% including \$3,871,100 in new construction.
- Overall, the property values in the commercial and industrial markets increased 0.7%. The overall increase is the result of a modest uptick in property values for medical, retail, and industrial combined with nominal changes in the property values associated with automotive, banking, office, food, lodging; and office condominiums. The total new construction for commercial and industrial properties for the 2013 assessment is \$17,542,000.
- The 2013 Tax Capacity of the Real Estate as of March 12, 2013 is 106,079,776, up 2.3% from year end 2012.

In 2012, the residential market in Plymouth demonstrated signs of recovery. According to the Minneapolis Area Association of Realtors the number of sales are up, while the number of listing are about the same resulting in a decline in inventory, a shortening of time on the market and an increase in the median sale price. A copy of the December 2012 report produced by the board is contained in the Addenda of this report.

While the Minneapolis Area Association of Realtors reported significant gains, their statistics include all of the activity listed through the multiple listing service. In total, there were over 1,100 residential real estate transactions in Plymouth between October 1, 2011 and September 30, 2012. After reviewing the sales and eliminating the sales with new construction, sales between related parties, and lender mediated sales among others, the number of sales we were able to rely on was reduced to 644.

The number of sales included in our analysis is up 73% from last year. The increase in the sale volume provides more data to analyze and in turn results in a more accurate assessment.

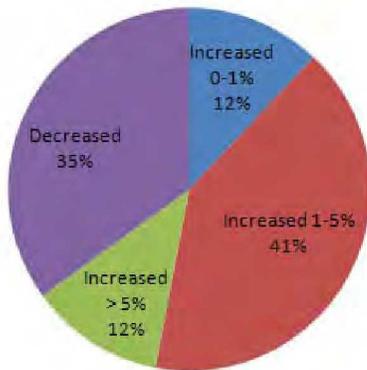
The resulting changes by market segment are listed below for each major property classification.

Property Type	Value Percent 2008-2009	Value Percent 2009 to 2010	Value Percent 2010 to 2011	Value Percent 2011 to 2012	Value Percent 2012 to 2013
Residential	-4.80%	-5.70%	-2.10%	-4.40%	0.80%
Residential Lakeshore	-3.90%	-8.10%	-5.20%	-1.50%	-4.00%
Condominiums	-6.00%	-9.70%	-5.50%	-10.40%	-4.10%
Townhomes	-6.00%	-6.10%	-3.20%	-5.80%	-0.70%
Apartments	-6.40%	-8.50%	-0.10%	11.10%	3.00%
Commercial/Industrial	-5.10%	-4.30%	-3.70%	3.80%	0.70%

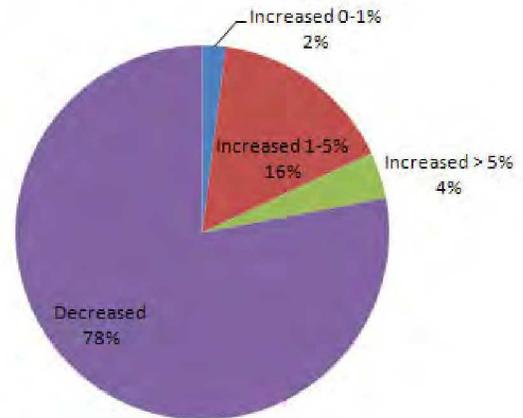
Exceptions to the above market value changes include new construction, quintile areas, reappraisals, and/or other market adjustments.

Within each segment, there were significant variations based on property type. The style of home, age, neighborhood, and school district were reviewed in determining values for the 2013 market values. As a result, each property type had values going up as well values going down.

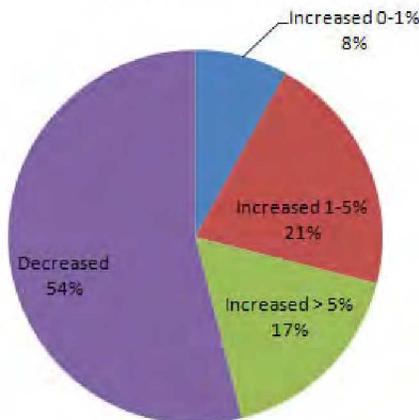
### Single Family Detached



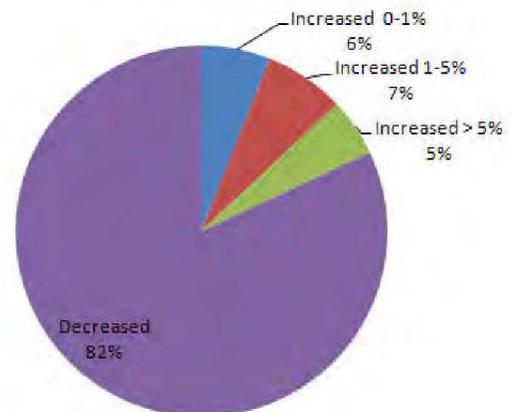
### Lakeshore



### Townhomes



### Condominiums



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 2013 consistent with surrounding municipalities.

<b>Residential Single Family Market Adjustments by Jurisdiction</b> <b>(excluding new construction/including class shift)</b>										
<b>Jurisdiction</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Bloomington	8.50%	7.90%	7.10%	1.90%	-2.90%	-5.50%	-5.60%	-3.70%	-6.30%	-2.90%
Eden Prairie	7.50%	7.50%	6.20%	3.20%	-0.90%	-4.70%	-6.10%	-3.30%	-4.50%	+0.10%
Edina	8.90%	7.60%	10.90%	3.00%	-1.10%	-1.90%	-4.80%	-2.70%	-3.50%	0.00%
Maple Grove	9.60%	8.40%	8.60%	2.80%	-2.90%	-5.00%	-5.40%	-3.50%	-6.20%	+0.60%
Minnetonka	8.50%	6.60%	7.80%	2.20%	-1.80%	-4.30%	-6.40%	-2.30%	-3.60%	-1.20%
Plymouth	9.00%	6.30%	7.60%	2.20%	-2.60%	-4.80%	-5.70%	-2.40%	-3.80%	+0.80%
Average	8.70%	7.40%	8.00%	2.60%	-2.00%	-4.40%	-5.70%	-3.00%	-5.50%	-0.40%

## Sales Ratio Study

The sales ratio study is a tool assessors use to help determine values for properties. The study helps plan the upcoming assessment and evaluate the current assessment. If results of the study are not within acceptable guidelines of between 90% and 105%, the assessor is required by law to either decrease or increase values so that they more closely reflect the market.

The sales ratio study period includes sales that have occurred in a twelve month period. For the January 2, 2013 assessment, the assessor reviews sales that occur between October 1, 2011 and September 30, 2012. By design, there is a lag between the sale and when it is used to help estimate value so it can be verified and reviewed for accuracy.

The average single family residential (off the lake) change for the January 2, 2013 assessment was 0.8%. This was determined by comparing the January 2, 2013, estimated market values to the same sales, thus establishing the 2013 estimated market values at a median sales ratio of .970 and a mean ratio of .970 with a 5.8 coefficient of dispersion. The price related differential is currently at 100.5. 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 median sale price of existing residential housing stock for the 2013 assessment was \$310,000 up over 4% from \$296,500 last year; this price does not include townhouses or condos. This is extracted from the Hennepin County Ratio Study of all arms-length transactions involving detached single family homes. While the median sale price was up, portions of the city still warranted decreases. As such the overall increase was 0.8%

Lakeshore property was adjusted according to the sale activity on each lake. Overall, lakeshore property decreased approximately 4.0%. The median sale price of existing lakeshore property in 2012 for the 2013 assessment was \$555,000.

Townhomes and condominiums also decreased in market value. The median sale price of condominiums was \$110,000, the average decrease was 4.1%. The median town home sale price was \$199,000, the average decrease was 0.7% from the prior year.

STYLE	# OF SALES	MEDIAN SALE PRICE	MEDIAN RATIO
Ramblers	78	\$ 288,800	.980
Splits	129	\$ 272,400	.974
Two Stories	201	\$ 394,200	.976
Rambler-Cluster Homes	13	\$ 296,000	.981
Splits-Cluster Homes	3	\$ 231,300	.980
2 Stories-Cluster Homes	5	\$ 221,900	.955
Condominiums	74	\$ 110,000	.976
Townhomes	141	\$ 199,000	.971
TOTAL	644		

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 97% 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 increased the target range to between 96% and 98% to reflect the increasing property values. 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.

## 2013 Assessment Statistics

Total City Parcel Count (01-02-12)	26,014
Total City Parcel Count (01-02-13)	26,219
# of Parcels Each Appraiser is Responsible For	5,243
Assessor's Industry Standard per Appraiser	4,249
2012 Assessment Total Estimated Market Value	\$8,704,103,800
2013 Assessment Total Estimated Market Value (Preliminary)	\$8,907,695,600
2011 to 2012 Total City Valuation Growth	-1.00%
2012 to 2013 Total City Valuation Growth	2.30%
2011 Total Building Permits	2,611
2012 Total Building Permits	2,230
(Does not include townhouses or condos)	
2011 Assessment Plymouth's 2010 Median Home Sale Price (rounded)	\$320,000
2011 Assessment Plymouth's 2010 Average Home Sale Price (rounded)	\$338,900
2012 Assessment Plymouth's 2011 Median Home Sale Price (rounded)	\$296,500
2012 Assessment Plymouth's 2011 Average Home Sale Price (rounded)	\$322,900
2013 Assessment Plymouth's 2012 Median Home Sale Price (rounded)	\$310,000
2013 Assessment Plymouth's 2012 Average Home Sale Price (rounded)	\$334,000
2012 Assessment "Median" Sales Ratio (Assessment Level)	95.10%
2013 Assessment "Median" Sales Ratio (Assessment Level)	97.00%
2012 Coefficient of Dispersion (Assessment Accuracy)	4.70%
2013 Coefficient of Dispersion (Assessment Accuracy)	5.70%
2012 Approximate Number of Sales (including new construction)	960
2013 Approximate Number of Sales (including new construction)	1,167

## 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 consist 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 reinspected every five years. Information is updated during the scheduled quintile review, 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 26,219 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 approximately 500 homogenous residential 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. No only are these individually focused, but they are for a specific date, have a different scope of work, and may be directed by the lender/bank to use different criteria in selecting their comparables. 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 significant knowledge of 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.

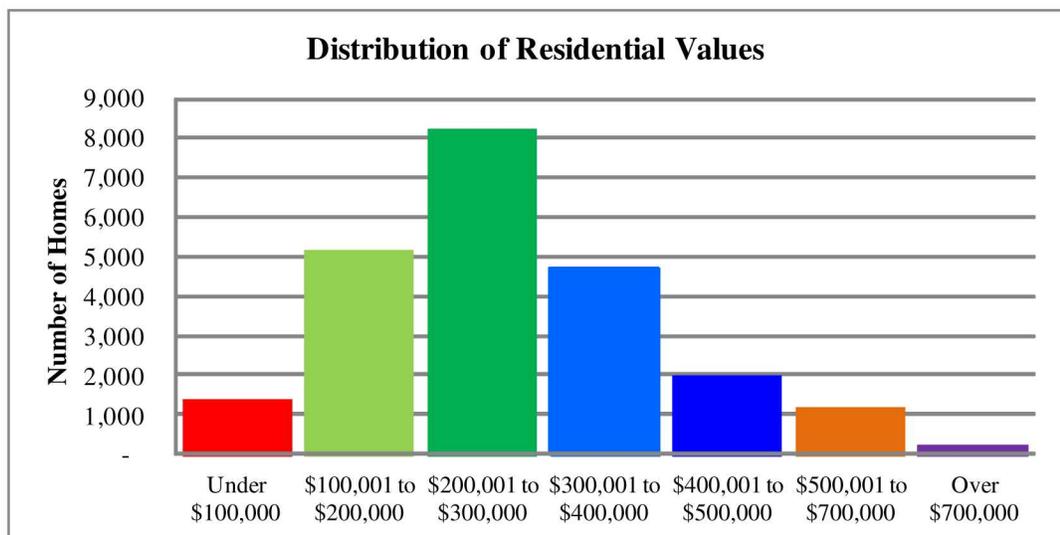
The staff also examines multiple sales—properties that have sold more than once over a period of years. After taking into account any physical changes that may have taken place, the assessor is able to determine what is happening in the real estate market during that time period. In all circumstances, 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 “arms-length” transaction requires the sale to be removed from all of the statistical studies.

The value placed on properties is accomplished only after a thorough marketplace study is conducted. Replacement costs are verified 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 it can consistently produce the same estimate of value for identical property by different assessors. That is the working definition of equalization.

# Plymouth 2013 Residential Property Information

Value Range	# of Homes	% of Homes
Under \$100,000	1,405	6.10%
\$100,001 to \$200,000	5,157	22.50%
\$200,001 to \$300,000	8,230	35.90%
\$300,001 to \$400,000	4,678	20.40%
\$400,001 to \$500,000	2,022	8.80%
\$500,001 to \$700,000	1,215	5.30%
Over \$700,000	220	1.00%
<b>Total</b>	<b>22,927</b>	<b>100.00%</b>



## Living Unit Breakdown

Type of Dwelling	2012 Asmnt # of Units	2013 Asmnt # of Units
Apartments	7,239	7,239
Single Family Homes	15,980	15,825
Duplex	62	64
Condominium	2,866	2,865
Townhomes	3,610	4,229
Permalease	26	23
Mobile Homes	59	59
Farm Houses	9	8
Seasonal Recreation	5	5
Co-Op Units	212	212
<b>Total Living Units</b>	<b>30,068</b>	<b>30,529</b>

The total number of homesteads as of January 2, 2013 was 20,581. The number of homesteads has declined each year since the peak in 2008; this is due in part, to the number of investors purchasing homes during the recent downturn in the market.

# **Plymouth 2013 Non-Residential Property Information**

## **Apartment Market**

Apartments saw an overall increase of approximately 3.0% for 2013. In addition, Westview Estates, a 76 unit building in Northwest Plymouth was completed adding close to \$4,000,000 in added improvement value.

## **Office Market**

The office market continued to demonstrate signs of improvement with institutional properties having the largest increases resulting from the lower cost of financing. Overall, the office market remained flat. This is due to tax court settlements on 505 & 605 Waterford and 3033 Atria. These three properties saw a decrease in value with the largest falling on 605 Waterford due to its large amount of vacancy.

For 2013, Plymouth will see office condominium properties holding relatively flat. There were only two sales in our analysis, both of which supported the no change in value. In addition, there was still a large amount of vacancy in the regular office market which directly affects the office condo market.

## **Retail Market**

Unlike in 2010 and 2011, Plymouth saw no major retail transactions in 2012. Simonson's did buy and demo the former Gym site near Hwy. 55 and Fernbrook for their new spa and small retail location. The larger grocery anchored retail centers saw modest increases. Last year they saw increases ranging between 9.2% and 34.5%; with a median increase of 18.7%. Smaller retail centers and some big box stores saw modest increases.

Modest adjustments were made to the automotive, day care, mortuary, entertainment, food, lodging as reflected by adjustments to the neighborhood and building rates.

## **Industrial Market**

The industrial market received a slight increase of approximately 1.0% due to a slight decline in capitalization rates. There was a fair amount of industrial sales activity in 2012 including numerous package sales.

# Value Exclusions

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## **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 went through many revisions since its conception. The law was phased out beginning with the 2003 assessment, and no additional properties can be enrolled in the 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 2013 assessment, 38 properties still have qualifying improvement amounts totaling \$376,200 that will be deferred. Properties that qualified will remain in the program until their 10 year exemption period is complete.

The 2013 assessment is the tenth year for phasing in the excluded values on properties that were eligible for the 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. Beginning this year, 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 carry over to the benefit of the veteran’s spouse for one additional year or until such a time as the spouse transfers, sells, or otherwise deposes of the property, whichever comes first.

For the 2013 assessment, there are 67 Plymouth properties that have made application for this exclusion, with a total of \$13,402,900 of market value excluded from taxation.

## **Homestead Market Value Exclusion**

In 2011 the Legislature repealed the Homestead Market Value Credit and replaced it with a Homestead Market Value Exclusion. The homesteaded property no longer receives a credit that reduces property taxes paid. Instead, a portion of the homestead’s property value will be excluded from taxation.

All homesteaded property less than \$413,800 in value will receive a Homestead Market Value Exclusion. This Exclusion is identified on the valuation notices that were mailed.

The Homestead Market Value Exclusion excludes from taxation 40% of the value of the first \$76,000 of a property's value. The amount excluded is reduced as the value rises above \$76,000 at a rate equal to 9% of the value above \$76,000. Properties valued in excess of \$413,800 do not receive an exclusion.

The chart below illustrates the exclusion amounts of various values.

<b>Market Value</b>	<b>Homestead Market Value Exclusion</b>	<b>Taxable Market Value (After Homestead Exclusion)</b>
\$76,000	\$30,400	\$45,600
\$100,000	\$28,240	\$71,760
\$150,000	\$23,740	\$126,260
\$250,000	\$14,740	\$235,260
\$300,000	\$10,240	\$289,760
\$350,000	\$5,740	\$344,260
\$400,000	\$1,240	\$398,760
\$450,000	\$0	\$450,000

The Homestead Market Value Exclusion for the 2013 assessment was \$267,335,546.

# Foreclosure Data

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The City of Plymouth tracks foreclosures for a number of reasons, however the properties are not used to determine overall assessment valuations. The Department of Revenue requires 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.

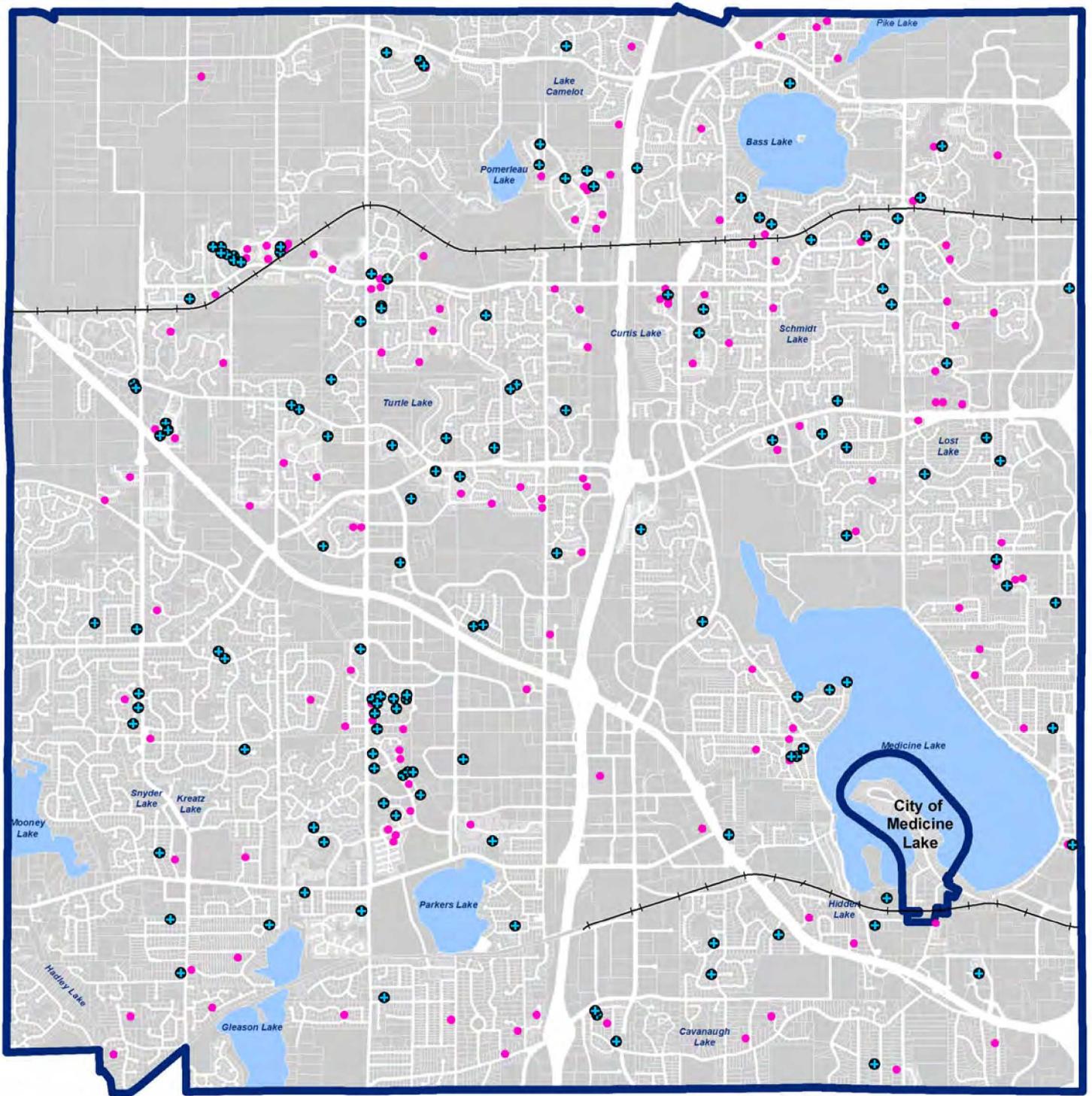
The Sheriff's Sale is the event where the property is sold to the highest bidder. The notice of a pending sale is published six weeks prior to the event, and the sheriff or designee will serve notice to the occupant one month prior to the sale. Typically the lender will open bidding with the exact amount 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 six 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 begins, 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.

According to Hennepin County, in 2012 there were 132 properties that went into foreclosure including 129 residential properties, one residential land parcel, and two commercial or industrial parcels. The 129 residential parcels represent 0.6% of the housing stock in the city. Approximately 50% of the residential properties that went into foreclosure were homestead properties. In 2012, there were 154 foreclosure properties that sold compared to 205 in 2011, 165 in 2010, and 174 in 2009. Of the 132 properties that went into foreclosure 31 of them sold. The number of Properties going into foreclosure has decreased from 2010, and the number of available foreclosed properties on the market has declined.



# Foreclosure Properties



- + Current Foreclosure Properties
- Sold Foreclosure Properties (2012)

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

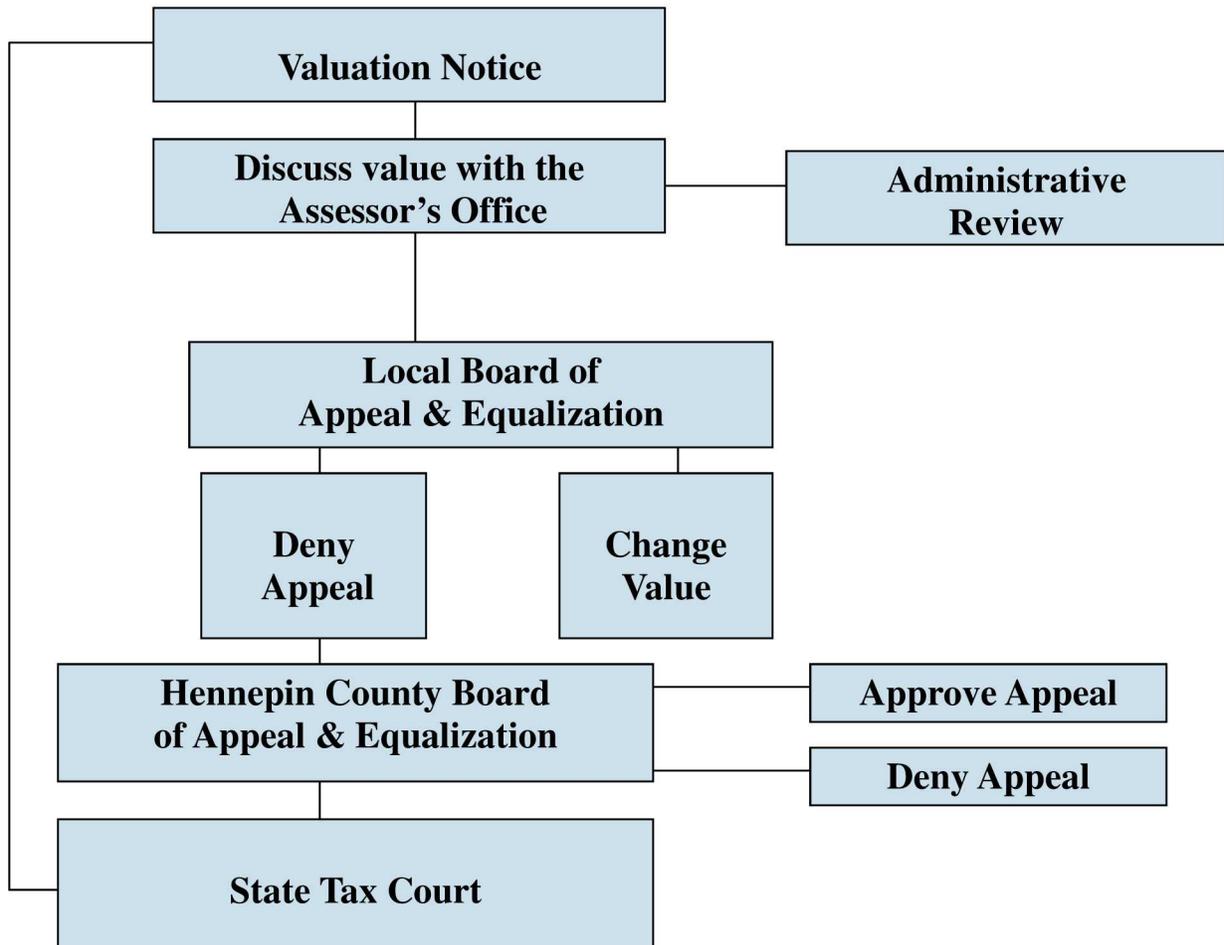


March 2013

City of  
Plymouth, Minnesota

# Appeal Process

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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 2013 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.

# Addenda

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# Local Market Update – December 2012

A RESEARCH TOOL PROVIDED BY THE MINNEAPOLIS AREA ASSOCIATION OF REALTORS®



MINNEAPOLIS AREA Association  
of REALTORS®

## Plymouth

**- 6.3%**

Change in  
New Listings

**+ 16.0%**

Change in  
Closed Sales

**+ 27.2%**

Change in  
Median Sales Price

### December

### Year to Date

	2011	2012	+ / -	2011	2012	+ / -
New Listings	64	60	-6.3%	1,559	1,569	+ 0.6%
Closed Sales	75	87	+ 16.0%	936	1,103	+ 17.8%
Median Sales Price*	\$230,000	\$292,500	+ 27.2%	\$245,000	\$276,250	+ 12.8%
Average Sales Price*	\$259,871	\$344,676	+ 32.6%	\$292,066	\$316,960	+ 8.5%
Price Per Square Foot*	\$109	\$118	+ 8.0%	\$112	\$116	+ 3.5%
Percent of Original List Price Received*	93.7%	95.3%	+ 1.7%	92.3%	94.8%	+ 2.7%
Days on Market Until Sale	168	99	-41.3%	137	111	-18.9%
Inventory of Homes for Sale	330	250	-24.2%	--	--	--
Months Supply of Inventory	4.2	2.6	-38.1%	--	--	--

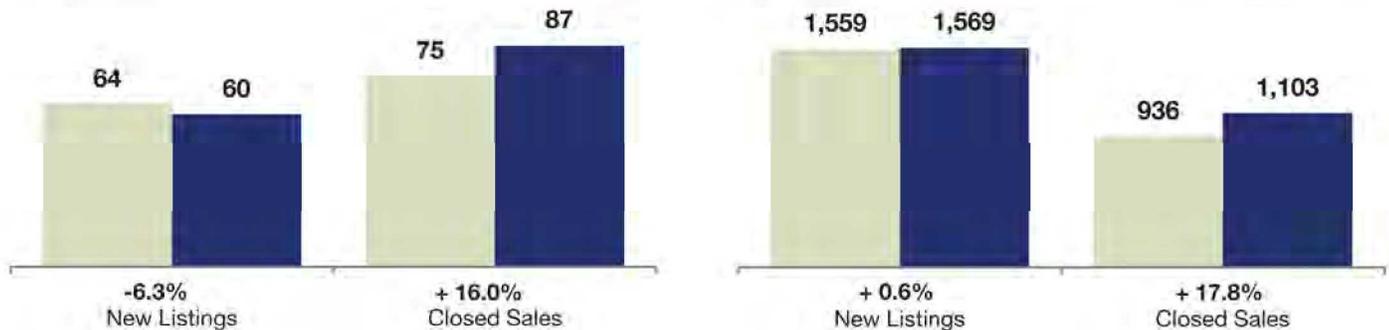
\* Does not account for seller concessions. | Activity for one month can sometimes look extreme due to small sample sizes.

### December

2011 2012

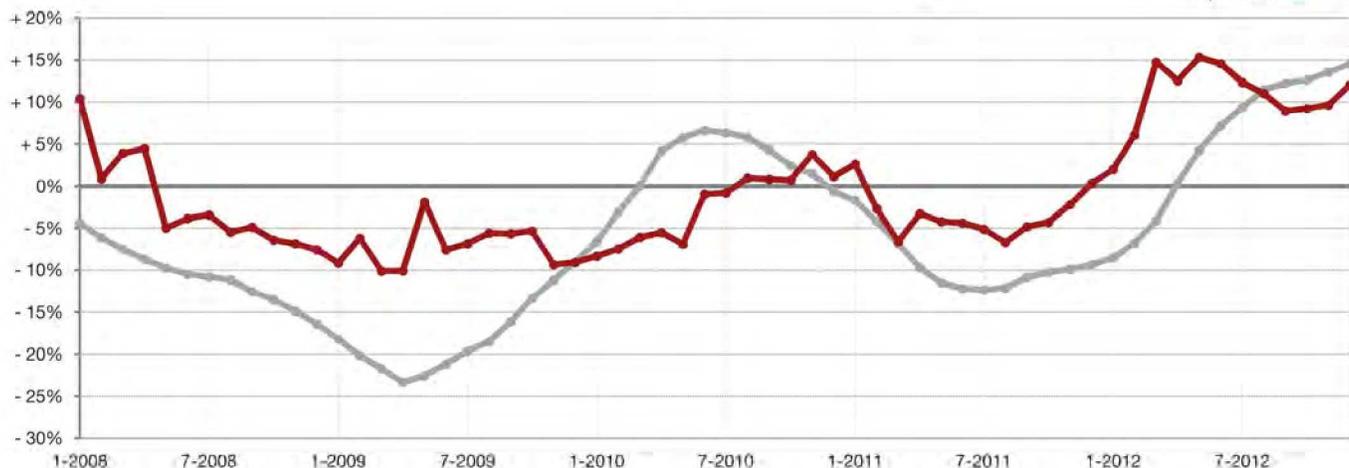
### Year to Date

2011 2012



### Change in Median Sales Price from Prior Year (6-Month Average)\*\*

Twin Cities Region —  
Plymouth —



\*\* Each dot represents the change in median sales price from the prior year using a 6-month weighted average. This means that each of the 6 months used in a dot are proportioned according to their share of sales during that period. | Current as of January 9, 2013. All data from NorthstarMLS. | Powered by 10K Research and Marketing. | Sponsored by Royal Credit Union www.rcu.org

# Local Market Update – February 2013

A RESEARCH TOOL PROVIDED BY THE MINNEAPOLIS AREA ASSOCIATION OF REALTORS®



MINNEAPOLIS AREA Association  
of REALTORS®

## Plymouth

**- 8.4%**

Change in  
New Listings

**+ 53.3%**

Change in  
Closed Sales

**+ 2.4%**

Change in  
Median Sales Price

### February

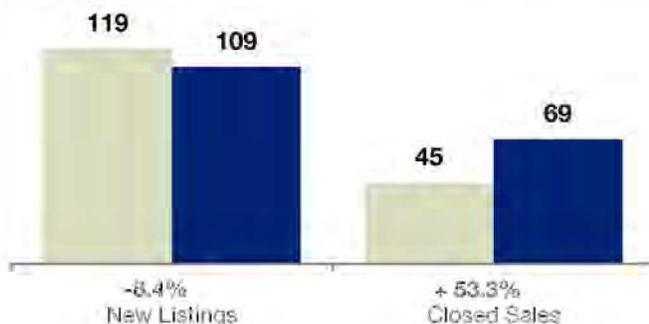
### Year to Date

	2012	2013	+ / -	2012	2013	+ / -
New Listings	119	109	-8.4%	257	254	-1.2%
Closed Sales	45	69	+ 53.3%	98	129	+ 31.6%
Median Sales Price*	\$245,000	\$251,000	+ 2.4%	\$271,500	\$266,500	-5.5%
Average Sales Price*	\$277,462	\$316,988	+ 14.2%	\$289,543	\$314,750	+ 8.6%
Price Per Square Foot*	\$104	\$118	+ 13.8%	\$105	\$118	+ 10.6%
Percent of Original List Price Received*	82.4%	95.0%	+ 2.8%	82.1%	84.9%	+ 3.0%
Days on Market Until Sale	107	70	-34.6%	150	89	-40.7%
Inventory of Homes for Sale	374	268	-28.3%	--	--	--
Months Supply of Inventory	4.6	2.7	-41.3%	--	--	--

\* Does not account for seller concessions. | Activity for one month can sometimes look extreme due to small sample size.

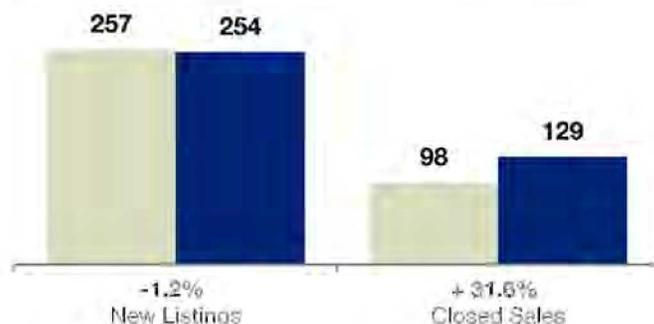
### February

2012 2013



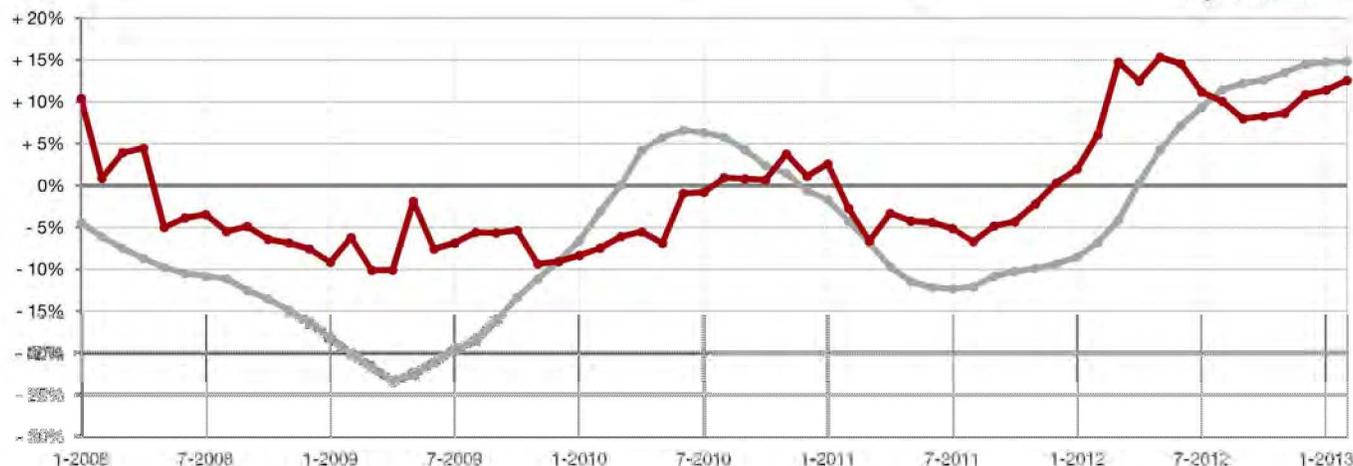
### Year to Date

2012 2013



### Change in Median Sales Price from Prior Year (6-Month Average)\*\*

Twin Cities Region  
Plymouth



\*\* Each dot represents the change in median sales price from the prior year using a 6-month weighted average. This means that each of the 6 months used in a dot are proportioned according to their share of sales during that period. | Current as of March 8, 2013. All data from NorthstarMLS. | Powered by 10K Research and Marketing. | Sponsored by Royal Credit Union  www.rcu.org