

# **Agenda**

## **City of Plymouth Board of Appeal and Equalization**

**Tuesday, April 11, 2006  
5:30 p.m.**

### **Council Chambers**

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

**2006**

**LOCAL BOARD OF  
APPEAL &  
EQUALIZATION**



**CITY OF PLYMOUTH  
APRIL 11, 2006**

**MEMO**

**CITY OF PLYMOUTH**

3400 PLYMOUTH BOULEVARD, PLYMOUTH, MN 55447

DATE: April 11, 2006  
TO: Plymouth Board of Appeal & Equalization  
FROM: Nancy Bye, City Assessor  
SUBJECT: 2006 LOCAL BOARD OF APPEAL & EQUALIZATION

The statistical analysis and general information regarding the 2006 Local Board of Appeal & Equalization follows. The assessing staff utilizes this information to determine values for the annual January 2 Assessment. This will hopefully make your job as a member of the Board of Appeal & Equalization easier to understand.

The purpose of the Local Board of Appeal & Equalization is to hear testimony from property owners on their objections to the Assessor's 2006 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 deal with the 2006 estimated market value or classification questions.

At the conclusion of the meeting the Board of Appeal & Equalization will recess, and will reconvene on April 25, 2006 at 5:30 p.m. Decisions on all appeals will be made at that time based on staff reports and information submitted.

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

Nancy Bye  
Extension #5351  
E-mail NBye@ci.plymouth.mn.us

## MINNESOTA ▪ REVENUE

### MEMO

Date: March 17, 2006

To: All County Assessors

From: John Hagen, Manager  
Information and Education Section

Subject: Recommended talking points for presentations at Local Boards of Appeal and Equalization.

We are all aware of the importance of public relations. In recent years, the assessment process has been under a great deal of scrutiny. Many of the issues that have received attention would not have been issues if better public relations practices were in place. Another focus has been on increased standardization of the assessment process.

In an effort to improve public relations practices and standardize LBAE meetings, we have developed some talking points for your presentation to each LBAE. While we strongly recommend that you address the items in this memo, you are certainly able to include additional information.

At the beginning of each local board meeting, take a few minutes for introductory comments and to complete Section 1 of the Local Board of Appeal and Equalization (LBAE) Certification Form. You should address the following:

- Reiterate the quorum and training requirements, and let them know that you must certify that these requirements have been met or it will become an open book meeting. Inform them that additional training sessions will be offered on an ongoing basis but not until after local boards are finished.
- Let the local board know that the Department of Revenue will be monitoring changes to *“parcels owned by a member of the board, the spouse, parent, son or daughter of a board member, or property in which a board member has a financial or other interest in the property.”* Please reiterate the LBAE training recommendation that the board vote “no change” to avoid the appearance of having a conflict of interest. The appeal should be recorded, so it can be brought before the County Board of Appeal and Equalization. While making changes to such parcels is

not prohibited, please let them know that these changes will be monitored and must be noted on the form.

- Finally, the department will be conducting random surveys of persons who attended local boards to monitor the public's perception of the board's performance.

We hope that sharing this information with all LBAE members will help to alleviate some of the past issues regarding local board practices. Thank you for your cooperation on this matter.

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## LOCAL BOARD OF APPEAL & EQUALIZATION AUTHORITY

Minnesota Statutes, Section 274.01, provides that the council of each city shall be or shall appoint a Board of Appeal & Equalization. The Plymouth City Charter requires that the City Council act as the Local Board of Appeal & Equalization. The 2004 Legislative session enacted a bill that requires members of the Local Boards to attend a training session that outlines their duties and responsibilities. Councilpersons Bildsoe and Hewitt attended that training session that is mandatory for the 2006 Local Board of Appeal & Equalization.

Assessments of property are made to provide the means for the measuring of the relative share of each taxpayer in meeting the costs of local government. 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 of aggregate. If the total of such assessments does lower the aggregate assessment made by the Assessor 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.

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 has been placed on his/her property or to contest or protest any other matter relating to the taxability of his/her property except the tax. The board is required to review the matter and make any corrections that it deems just.

## 2006 BOARD OF APPEAL & EQUALIZATION SUMMARY

The majority of properties in the City of Plymouth saw changes in their estimated market value. The value changes range from general citywide increases to substantial increases due to locational market activity. Average percentage increases in valuation are as follows:

<u>Property Type</u>	<u>Value Percent Change</u> <u>From 2005 to 2006</u>	<u>Value Percent Change</u> <u>From 2004 to 2005</u>	<u>Value Percent Change</u> <u>From 2003-2004</u>
Residential	+ 7.8 %	+ 6.5 %	+ 9.0 %
Residential Lakeshore	+ 4.1 %	+ 17.0 %	+ 11.0 %
Condominiums	+ 4.2 %	+ 5.0 %	+ 6.0 %
Townhomes	+ 5.2 %	+ 5.0 %	+ 7.0 %
Apartments	+ 3.0 %	0 %	- 3.0 %
Commercial/Industrial	+ 7.2 %	+ 5.5 %	- 2.0 %

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

The condominium and townhouse market continues at a consistent rate of appreciation. This is based on the aging baby boomers and the demand for maintenance free living. Vacant land sales are indicating a tremendous upswing in the market value of buildable land. Vacant land that can be built upon is becoming increasingly difficult to locate. The schedule that is used by the Assessing Division is as follows: Land outside the MUSA with no utilities is valued at \$110,000 an acre. Land inside the MUSA with no utilities is valued at \$150,000 an acre. Land inside the MUSA with utilities is valued at \$180,000 an acre. The value calculations exclude any wetlands or unbuildable areas when determining the acreage. The majority of rural sales has been by developers speculating their ability to develop in the near future.

On March 10, 2006 estimated market value notices were mailed to all Plymouth property owners.

State law provides that the assessment shall be an annual assessment with all property in the taxing jurisdiction re-valued to its market value every January 2<sup>nd</sup>. The City of Plymouth continued to have a high quantity of building permits for new construction and remodeling projects. This does not include the 4,950 quintile parcels that had to be reviewed and re-appraised.

The Legislature in its 1993 session passed a law imposing a limit on how much an assessor's estimate of market value is permitted to increase from one year to the next for taxation. Under the law, assessors are required to continue to estimate the market value of all properties. However, the law requires the use of a limited market value for purposes of determining property tax bills. Approximately 1,729 of the 24,661 parcels in the City qualify for a limited value. These properties are taxed on their limited market value, not their estimated value. \$68,943,600 of estimated market value is not being taxed due to the limited

taxation law. The Limited Law is gradually being phased out over the next several years and is scheduled to sunset in 2009.

The assessment just completed for 2006 represents many hours of staff research and time. We feel confident the 2006 assessment is fair and well equalized throughout the City of Plymouth.

Respectfully submitted  
Assessing Department Staff

## INTRODUCTION TO THE 2006 ASSESSMENT

The 2006 Assessment affects all property owners in the City of Plymouth. As required by current state law, the Assessor is required to reassess all property each year.

State Statute reads: “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 have been notified of any change. Minnesota State 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 the 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 the same to be fairly worth in money.” The statute says all property shall be valued at market value. This means that no factors other than market (such as economics, personalities or politics) shall affect the Assessor’s value and the subsequent action by the Board of Appeal & Equalization.

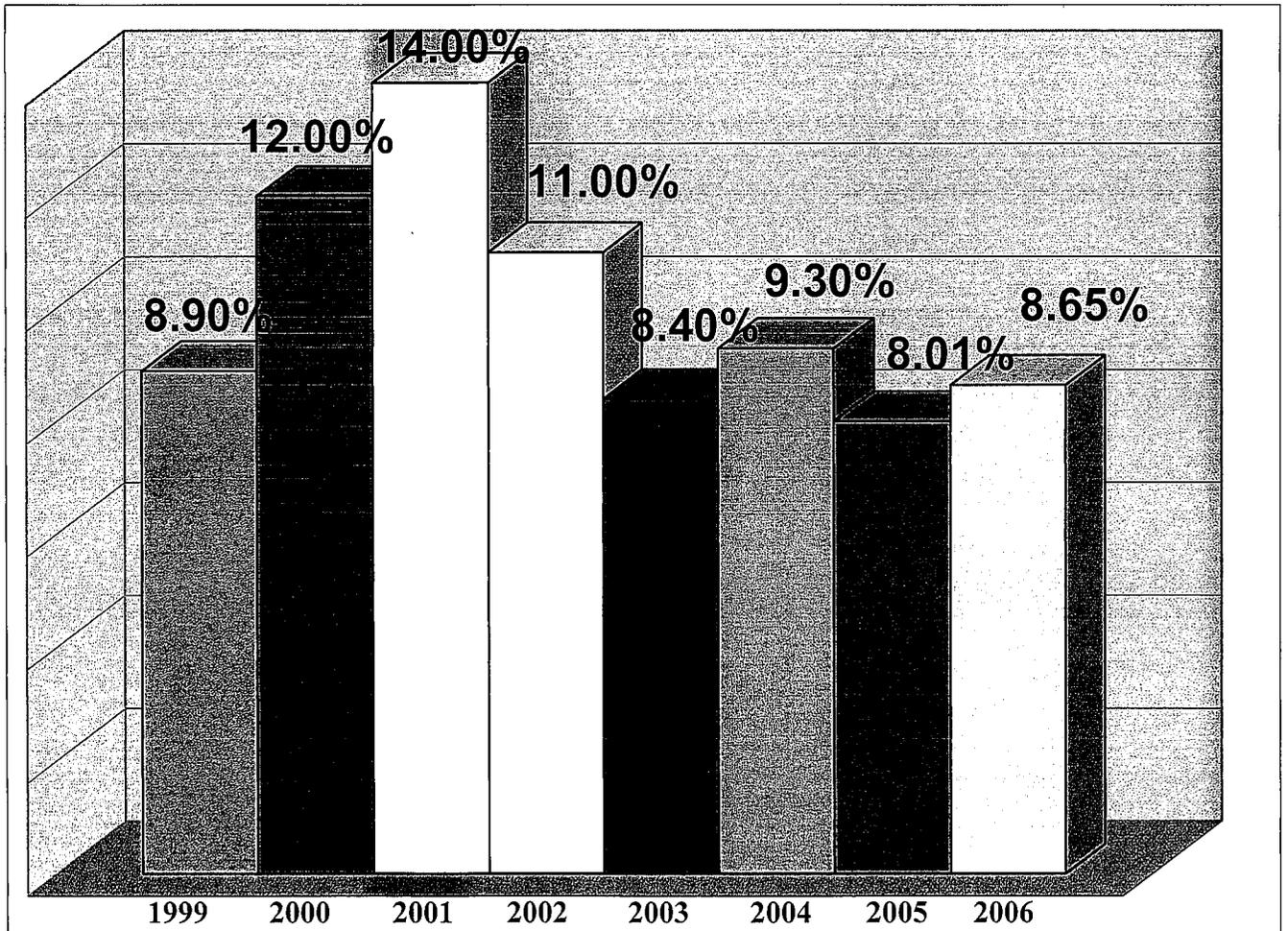
Market value has been defined many different ways. Simply stated, it is “the highest price estimated in terms of cash which a property will bring if exposed for sale on the open market by a seller who is willing but not obligated to sell, allowing a reasonable time to find a purchaser who is willing 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 which is based on the value of property and not on the ability of the property owner to pay. The values placed on all real estate in Plymouth are based on the amount of land and the improvements upon the land, while no consideration is given to who owns the land.

The 2006 Assessment (not the 2006 taxes) reflects an increase of 8.65% overall valuation increase over the 2005 assessment (including new construction, quartile adjustments, and/or market adjustments). This can be demonstrated as follows:

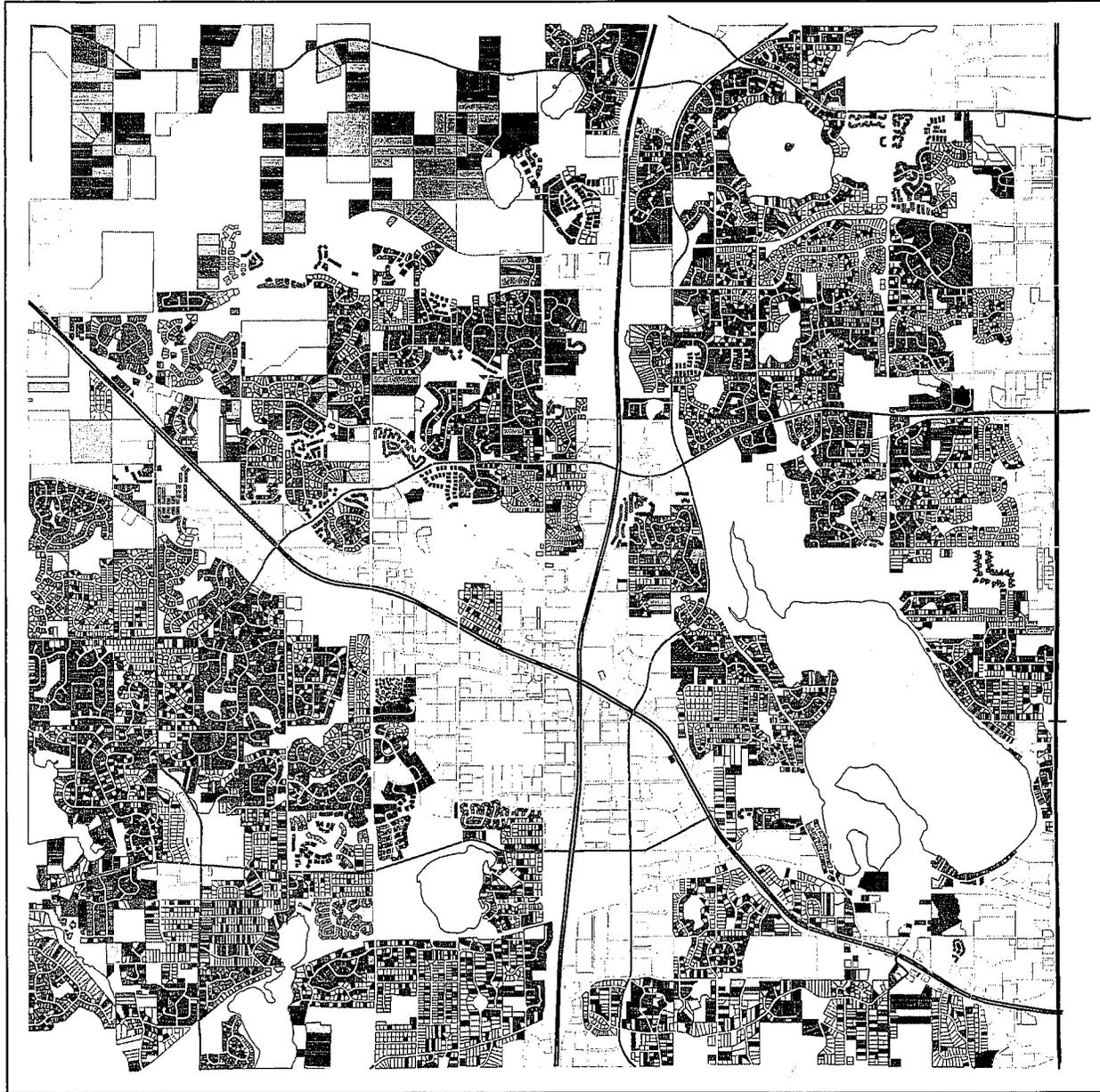
2005 TOTAL CITY VALUE	2006 TOTAL CITY VALUE (PRELIMINARY)	2006 PERCENTAGES
\$8,690,753,300	\$9,443,307,700	
<b>Total Value Increase:</b>	<b>\$752,554,400</b>	<b>8.65%</b>
<b>Value of New Construction:</b>	<b>\$135,341,500</b>	<b>1.55%</b>
<b>Appreciation of Existing Property:</b>	<b>\$617,212,900</b>	<b>7.10%</b>

# CITY OF PLYMOUTH PERCENTAGE VALUE GROWTH



# 2006 RESIDENTIAL PROPERTY VALUES

## Total Estimated Market Values According to Assessor Records



City of  
Plymouth, MN

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.



### MARKET VALUE RANGES

	\$125,000 and under
	\$125,001 - \$200,000
	\$200,001 - \$300,000
	\$300,001 - \$400,000
	\$400,001 - \$500,000
	\$500,001 - \$700,000
	Over \$700,000

## 2006 ASSESSMENT INTRODUCTION

During this past year, our staff has concentrated on collecting data on property field cards. Once collected the data was entered into and calculated by the computer system. The output is then analyzed for accuracy and parity.

Those areas of the city that equal 20% of all existing properties have been physically reviewed during 2005 and represent over 5,131 parcels, excluding 2,479 building permits. This is commonly referred to as the "Quintile". In the areas of re-inspection, new items that previously were not on our records were added, or where applicable, deleted. 65% of all homes reviewed were internally inspected. A preliminary sales study was analyzed, prior to placing a final value on each property inspected.

Plymouth's preliminary residential median ratio entering the 2006 assessment was 87.9 %. Hennepin County determines this ratio. They compare the January 2, 2005 estimated market values to sales occurring from October 1, 2004 through September 30, 2005. The average residential increase for the January 2, 2006 assessment was 7.6%. This was determined by comparing the January 2, 2006 estimated market values to the same sales, thus establishing the 2006 estimated market values at a median sales ratio of 96.1 and a mean ratio of 95.8 with a coefficient of dispersion of 5.7. 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. This past year the appreciation on existing homes was in the single digits.

The 2005 median sale price of existing housing stock in the City was \$367,900; 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 in Plymouth was adjusted according to the sale activity on each individual lake. The average lakeshore property received an increase of approximately 4.1%. The median sale price of existing lakeshore property in 2005 was \$695,100.

Various townhouse and condominium complexes were adjusted according to market activity as well as studied to determine if the number of bedrooms per unit affected the sales prices. The average increase to the townhouses was 5.7%. The increase to condominiums was approximately 4.3%. The median sale price of condominiums was \$183,900. The median townhouse sale price was \$254,800.

Commercial and industrial values increased by about 7.2% on an aggregate growth from 2005 to 2006. Included in this change are the different property types that changed either greater than or less than the average.

The commercial real estate markets are poised for continued robust growth in 2006, following strong performances in virtually every segment of the market in 2005. Demand for both office and industrial space exceeded expectations in 2005, pushing vacancy rates lower and setting the stage for the beginning of a rebound in new speculative development.

Meanwhile the retail market remained vibrant and growing. Investor demand for commercial real estate properties continued to grow, spurred by a seemingly endless supply of investor capital and improving fundamentals in the major market categories.

Smaller owner-user office condos are still holding strong because interest rates have remained low and buying continues to make sense. How hot they remain will depend on how stable those rates stay and how brokers deal with office vacancy rates in the future. While real estate is generally a stable investment, the questions about the viability of someday reselling office condos are legitimate. The key issue is to make the decision based on the viability of the condo as a good home for ones business.

Like 2005, continued demand from investors for institutional quality properties helps prolong capital flows and prolong values as leveraged buyers continue in a generally similar, however slightly rising, interest rate environment for 2006.

Lastly, traffic congestion throughout the Twin Cities and changing lifestyles continue to make Plymouth an attractive location for both business owners and real estate investors.

The apartment market was starting to improve in 2005 with the vacancy rate dropping, fewer concessions and some increases in rents. In 2005 institutional and local buyers were purchasing the newer, higher bracket apartments. Plymouth's Park Place Apartments complex on 34<sup>th</sup> Ave. recently sold for \$50,000,000/\$100,000 a unit. With the increase in valuations on the Class "A" apartment complexes, the 2006 apartment assessment increased 3% from the 2005 assessment.

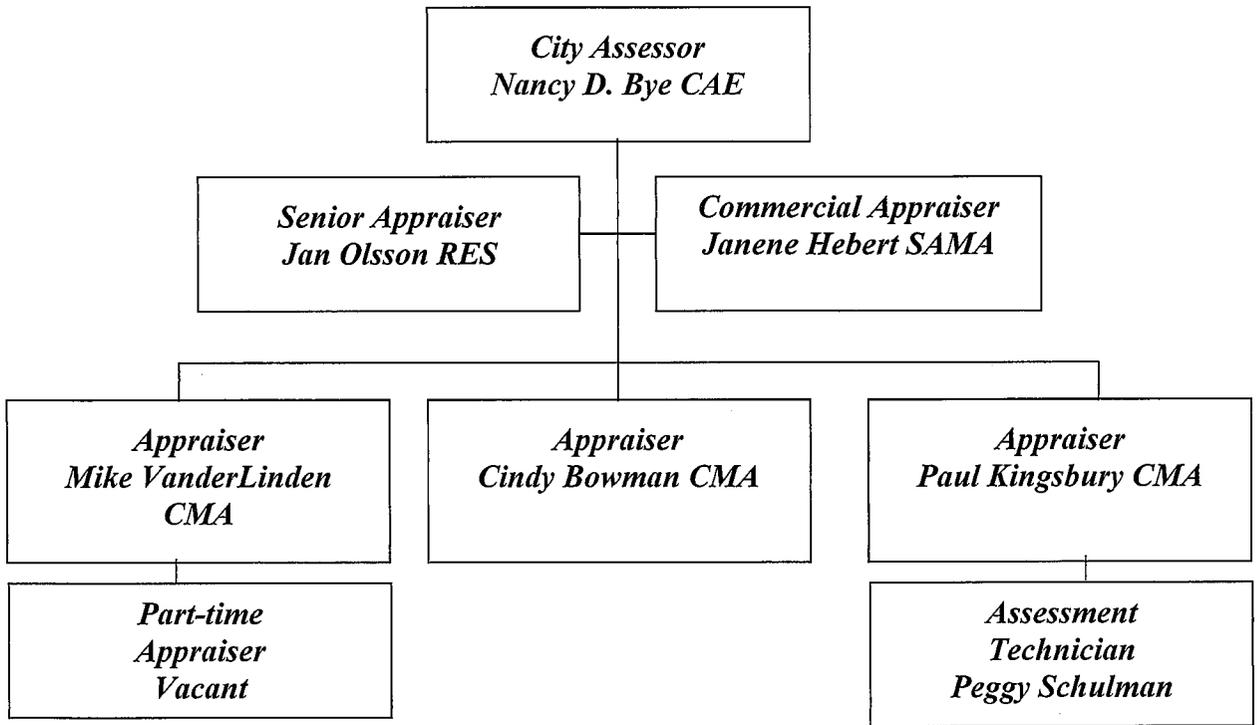
The value we place on the property is accomplished only after we have conducted thorough studies in the market place. Costs of replacement are checked with builders in the area, as well as cost manuals that are available, which are put together by experts in the field of building and appraising. Sales of property are constantly analyzed to see what is happening in the market place. The assessors/appraisers do not create value; they only measure its movement.

Assessing property values equitably is partly science, partly judgment, partly communication skills, and largely a mystery to many property owners. Add to that the fact that property construction, financing and ownership are more complex today than ever before and the task becomes more difficult.

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, after all, is a working definition of equalization.

The following pages contain information that hopefully will inform you and make your job as a member of the Board of Appeal & Equalization a more productive one.

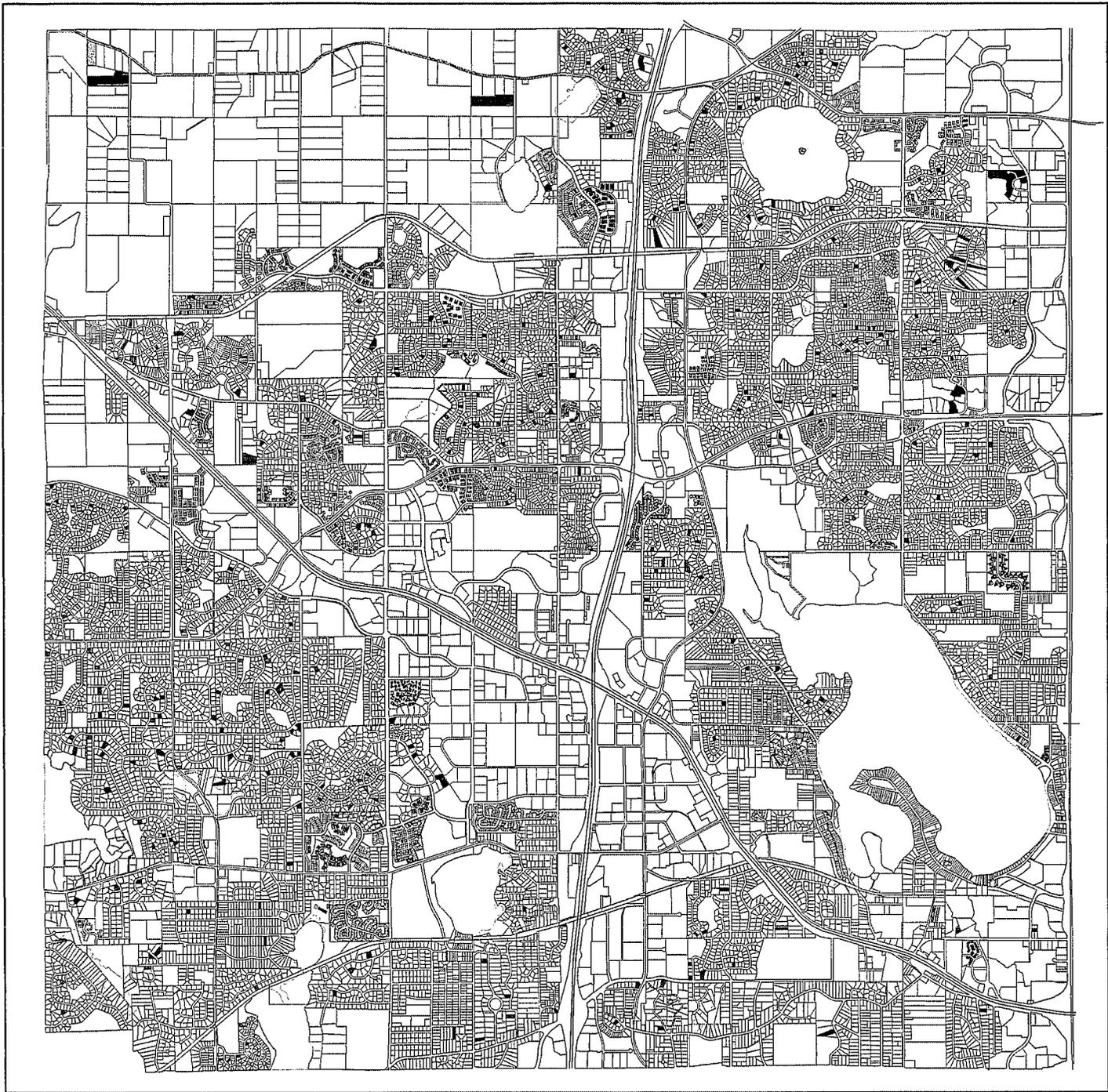
# Plymouth Assessing Department



## 2006 ASSESSMENT STATISTICS

Total City Parcel Count (01-02-05)	24,661
Total City Parcel Count (01-02-06)	24,752
Parcel Count Per Appraiser 2006 Assessment	4,125
Assessor's Industry Standard per Appraiser	3,000
2005 Total Estimated Market Value	\$8,690,763,300
2006 Total Estimated Market Value (Preliminary)	\$9,443,307,700
2004 to 2005 Total City Valuation Growth	+8.00%
2005 to 2006 Total City Valuation Growth	+8.65%
2004 Total Building Permits	2,671
2005 Total Building Permits	2,479
2003 Plymouth's Median Home Sale Price	\$323,900
2004 Plymouth's Median Home Sale Price	\$356,200
2005 Plymouth's Median Home Sale Price (Does not include townhouses or condos)	\$367,900
2005 "Median" Sales Ratio (Assessment Level)	95.1%
2006 "Median" Sales Ratio (Assessment Level)	96.1%
2005 Coefficient of Dispersion (Assessment Accuracy)	6.3%
2006 Coefficient of Dispersion (Assessment Accuracy)	5.8%
2004 Approximate Number of Sales (including new construction)	2,247
2005 Approximate Number of Sales (including new construction)	2,312

**2006 ASSESSMENT - RESIDENTIAL SALES  
SALES OCT 1, 2004 THRU SEPT 30, 2005**

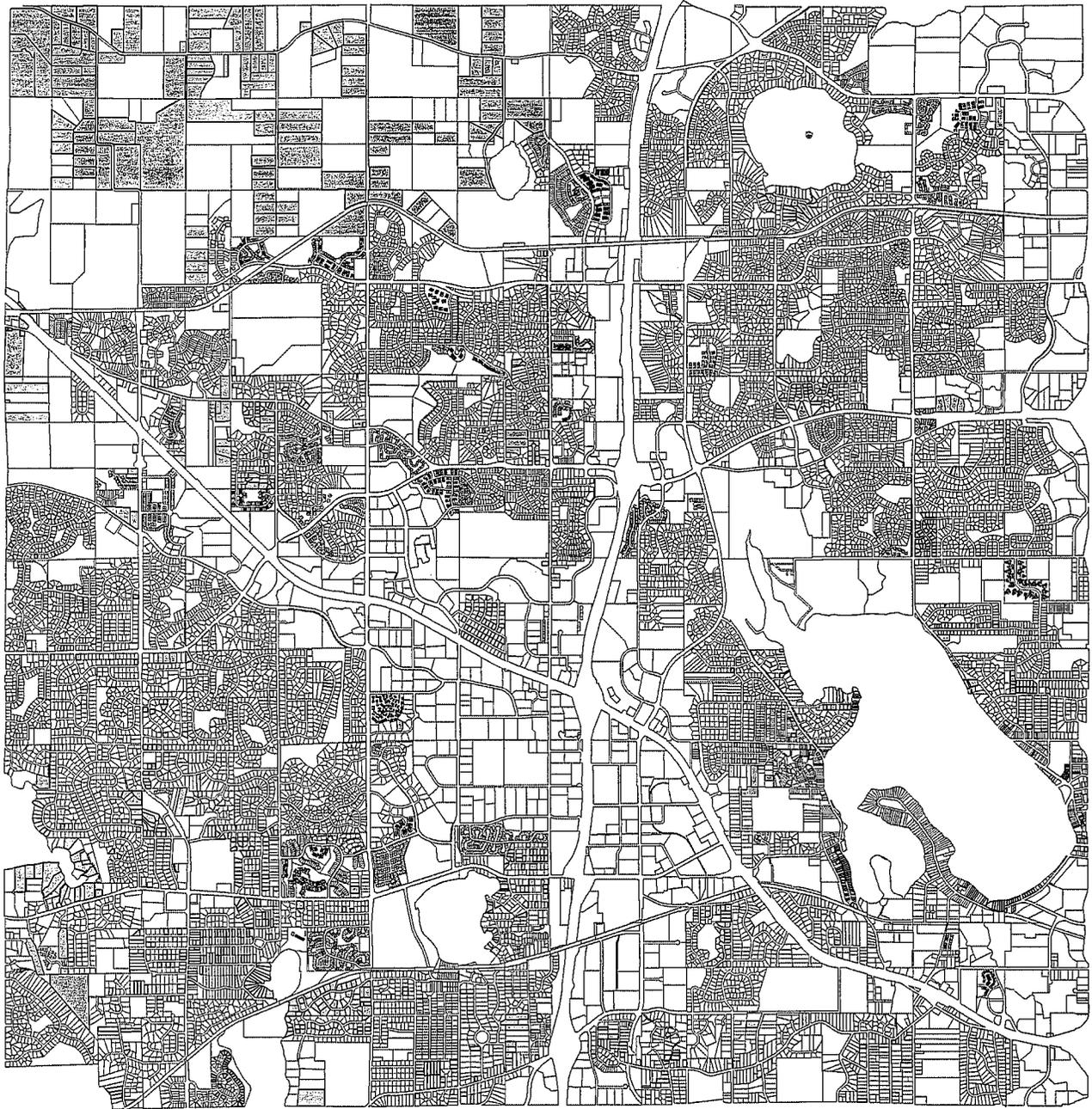


**City of  
Plymouth, MN**

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.



SALE PRICE RANGE	
	\$125,000 and under
	\$125,001 - \$200,000
	\$200,001 - \$300,000
	\$300,001 - \$400,000
	\$400,001 - \$500,000
	\$500,001 - \$700,000
	Over \$700,000



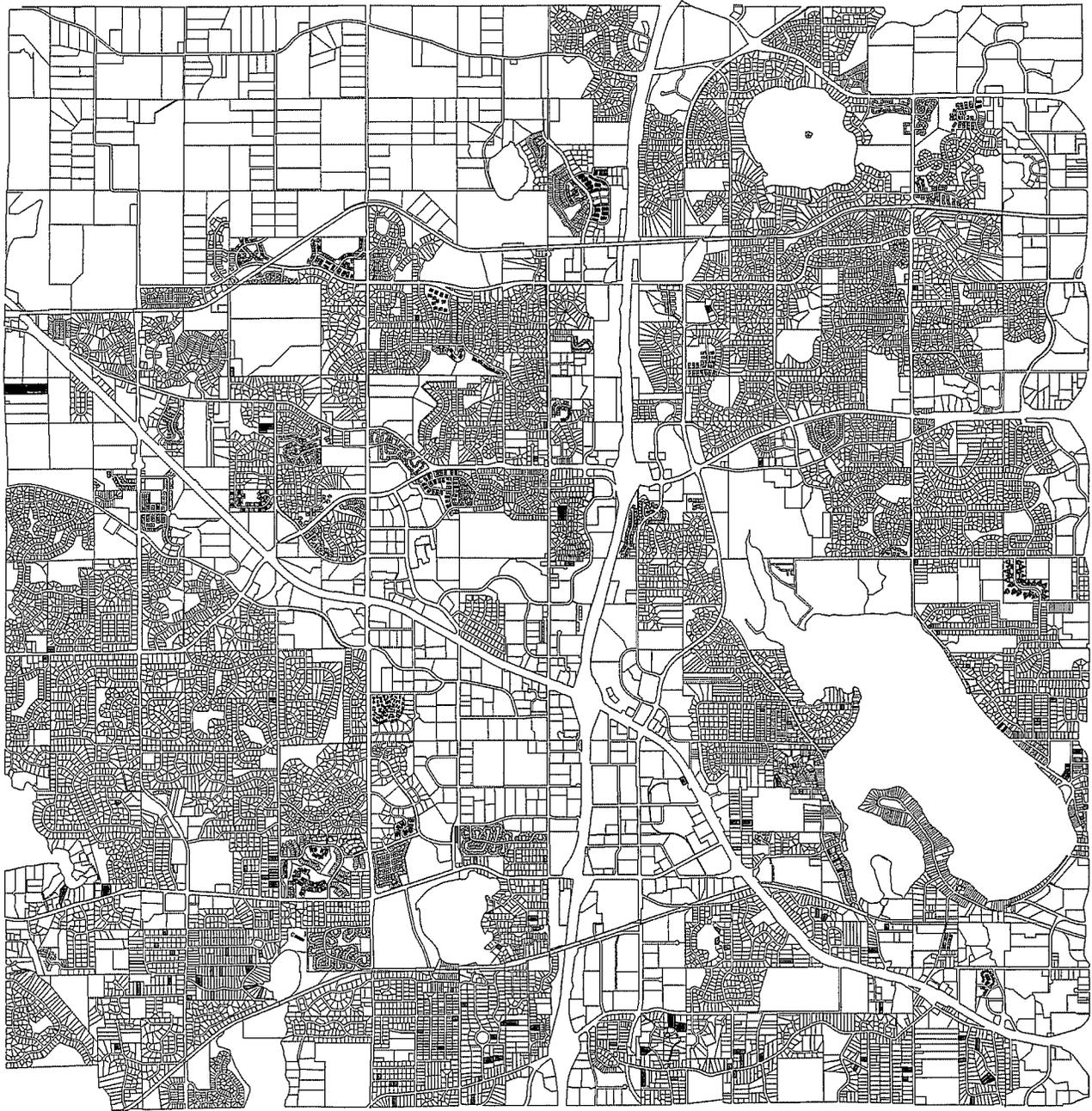
City of  
Plymouth, MN

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## 2006 LIMITED MARKET VALUE

\$68,943,600 NOT TAXED  
1,729 PARCELS





**City of  
Plymouth, MN**

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.

**2006 THIS OLD HOUSE**

**\$1,596,100 NOT TAXED  
130 PARCELS**



## 2006 SALES RATIO STUDY

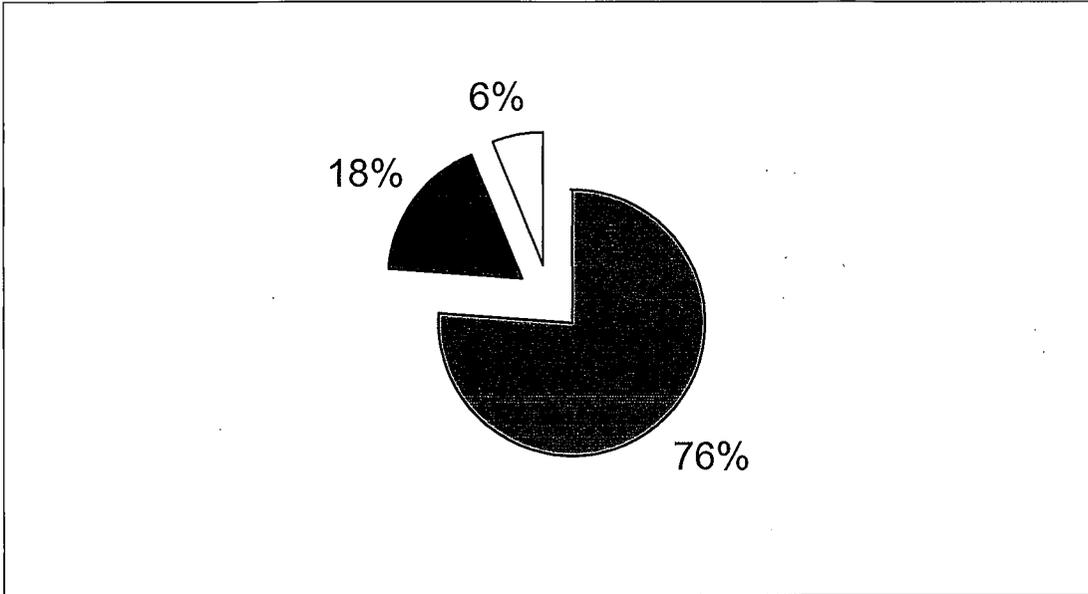
Equalizing is done today through the process of sales studies. These studies compare the Assessor's value with that same property's actual sale price. This comparison gives us ratio indicators that are recognized by the County and the State Commissioner of Revenue. The ratio indicators must reach acceptable levels or they will trigger corrective action for general across-the-board adjustments by the County Assessor or the Commissioner of Revenue. These general corrections are essentially a "shotgun blast" type correction that affects the adequate and inadequate values alike, and although they correct equalization across jurisdiction lines, they do just the opposite within a jurisdiction by increasing inequity

The 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, and then everyone suffers.

Our coefficient of dispersion in this year's study is 5.8%. This is comparable to other jurisdictions of our size in Hennepin County. (Anything under 10 is considered excellent.) This is a direct result of our computerization of the appraisal process and demonstrates our ability to administer fair and equalized valuations at both ends of the value spectrum.

Our price-related differential is currently at 100.610. This shows our ability to treat higher priced homes as equally as the lower priced homes. 100 is considered perfect.

## Distribution of 2006 Estimated Market Value by Property Type



	ESTIMATED MARKET VALUE		
	2006 Percentage	2005	2006
Residential	76%	\$6,647,117,000	\$7,244,123,600
Commercial/Industrial	18%	1,534,209,300	1,665,849,100
Apartments	6%	<u>517,357,000</u>	<u>533,335,000</u>
<b>TOTAL EMV</b>		<b>\$8,698,683,300</b>	<b>\$9,443,307,700</b>

**MEMO  
CITY OF PLYMOUTH**

3400 PLYMOUTH BOULEVARD, PLYMOUTH, MN 55447

DATE: March 1, 2005  
TO: Assessing Staff  
FROM: Nancy Bye, City Assessor  
SUBJECT: LIVING UNIT BREAKDOWN

The following is a listing of the type and the number of living units for each that is on the tax rolls for assessment year January 2, 2005.

<u>TYPE OF DWELLING</u>	<u>2005 ASMT # OF UNITS</u>	<u>2006 ASMT # OF UNITS</u>
Apartment Units	7,059	7,059
Single Family Homes	15,660	15,690
Duplex	80	72
Condominiums	2,764	3,035
Townhomes	3,029	2,937
Permalease	37	35
Mobile Homes	61	58
Farm Houses	15	13
Seasonal Res. (Cabins)	6	6
Co-Op Units	210	210
TOTAL LIVING UNITS:	<u>28,921</u>	<u>29,115</u>

2006 Assessment represents an increase of 194 living units over January 2, 2005.

Total number of homesteads (1/2/06) 20,823

**MEMO**

**CITY OF PLYMOUTH**

3400 PLYMOUTH BOULEVARD, PLYMOUTH, MN 55447

DATE: January 26, 2006

TO: Nancy Bye, City Assessor

FROM: Jan Olsson, Senior Appraiser

SUBJECT: ASSESSMENT - HENNEPIN COUNTY STUDY  
SALES STATISTICS

OVERALL SALES RATIO

(2006 Estimated Market Values were used on all sales)

<u>STYLE</u>	<u># OF SALES</u>	<u>AVG. SALE PRICE</u>	<u>MEAN RATIO</u>
*Ramblers	171	\$341,700	0.944
*Splits	201	\$319,100	0.965
*Two Stories	220	\$413,300	0.925
*Rambler - Cluster Homes	15	\$333,600	0.995
*Splits - Cluster Homes	25	\$289,400	0.969
*Two Stories - Cluster Homes	12	\$288,400	0.966
Condominiums	268	\$183,900	0.964
Townhomes	187	\$254,800	0.973
TOTAL	1,099		

The above figures are based on the sale of existing homes that meet the state criteria for arm's length transactions.

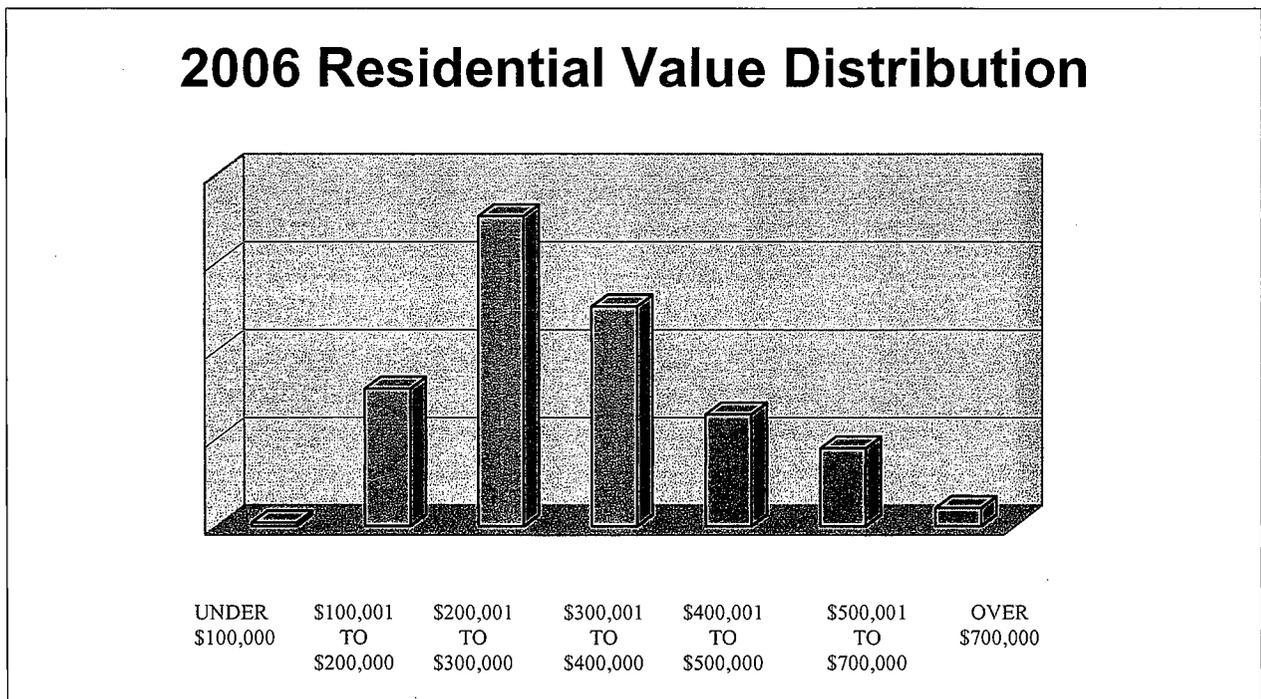
Approximate Number Homes Sold (Including New Construction) 2,312

\*Average Sale Price of Single Family Homes \$367,900

cc: Appraisal Staff

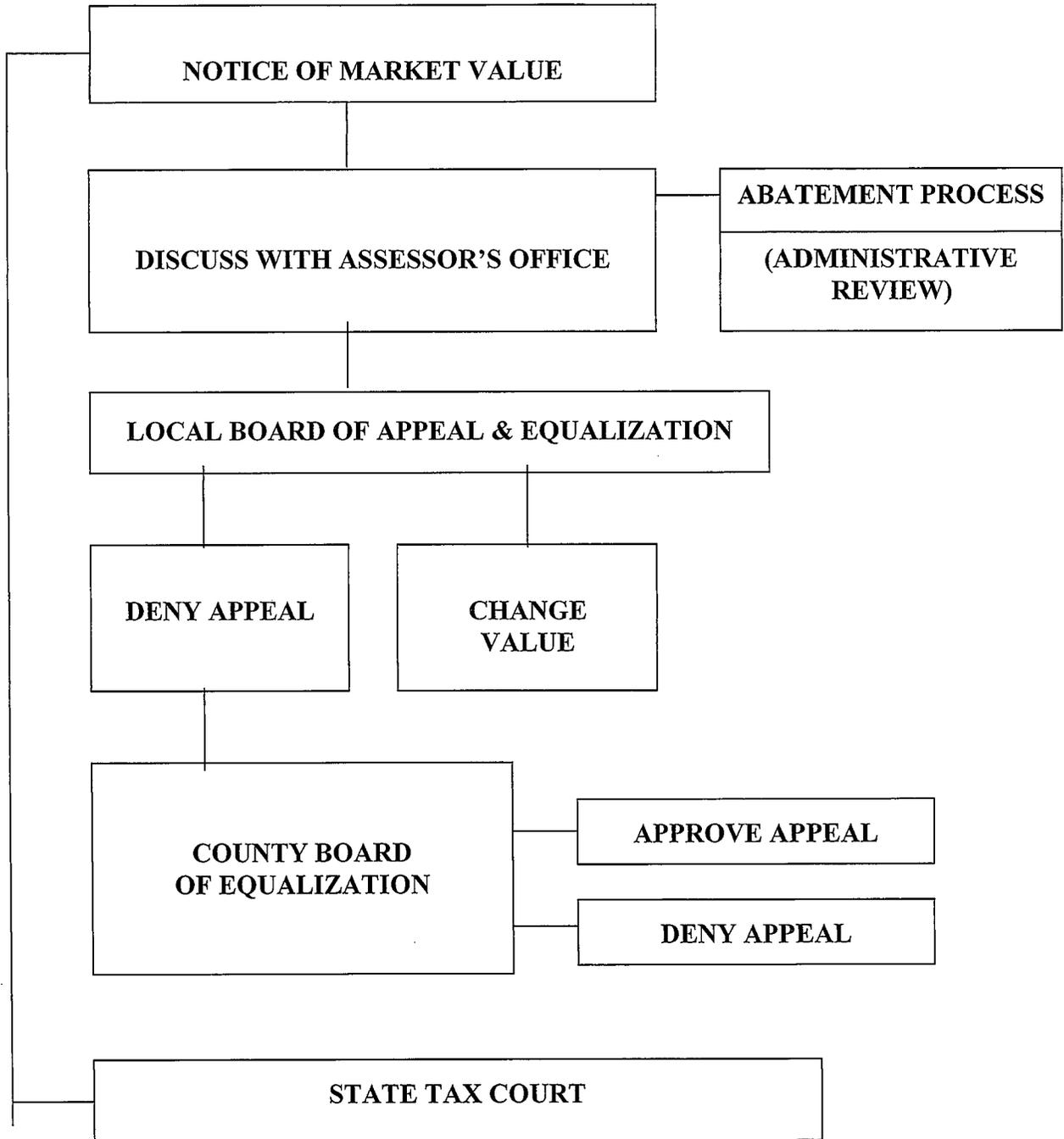
## PLYMOUTH RESIDENTIAL PROPERTY VALUE DISTRIBUTION 2006

\$ VALUE	PERCENT	# OF HOMES
Under \$100,000	0.41	96
\$100,001 to \$200,000	15.64	3,390
\$200,001 to \$300,000	35.28	7,655
\$300,001 to \$400,000	25.00	5,423
\$401,000 to \$500,000	12.72	2,758
\$500,001 to \$700,000	8.86	1,920
Over \$700,000	<u>2.09</u>	<u>454</u>
<b>TOTAL</b>	100%	<b>21,696</b>



VALUE

# MARKET VALUE APPEAL PROCESS



**2006 RESIDENTIAL LAKE SHORE SALES STUDY**  
**(2004 SALES)**

NUMBER OF PARCELS	NAME OF LAKE	1 YEAR OF SALES	AVERAGE LOT VALUE	AVERAGE SALE PRICE
116	Bass	4	\$225,000 TO \$505,800	\$943,000
37	Gleason	1	\$210,000 TO \$645,000	\$955,000
48	Hadley	2	\$210,000 TO \$675,000	\$454,950
33	Lost	1	\$200,000 TO \$249,900	\$460,000
139	Medicine	3	\$300,000 TO \$500,000	\$652,300
43	Mooney	1	\$210,000 TO \$893,100	\$770,000
53	Parkers	0	\$220,000 TO \$300,000	\$0
8	Pike	0	\$200,000 TO \$234,400	\$0
59	Schmidt	1	\$220,000 TO \$300,000	\$592,500
536 Parcels		13 Sales		

Hennepin County Sales Study of all Residential Lake Shore Sales in Plymouth for the 2006 Assessment included:

<b>TOTAL SALES: 7</b>	<b>MEDIAN RATIO: 93.3 Preliminary Ratio</b>
<b>AFTER ADJUSTMENTS</b>	<b>MEDIAN RATIO: 99.1</b>

Lakeshore properties were given a city wide average increase, then attention was paid to the location of the lakes, the similarity of the lakes, and the market activity in the last year in the various neighborhoods surrounding each lake to determine if further adjustments were necessary.