

## MINUTES

### LOCAL BOARD OF APPEAL & EQUALIZATION CITY OF OWATONNA

City Adm. Bldg. Owatonna, Minnesota Tuesday, April 11, 2017 7:00 o'clock p.m.

Council Members Present: Kevin Raney, Jeff Okerberg, Brent Svenby, Nate Dotson, Greg Schultz and Doug Voss

Council Members Absent: Dave Burbank

Others Present: Steele County Assessor William Effertz; Assistant County Assessor Tyler Diersen; County Property Appraiser Brian Anderson; Community Development Director Troy Klecker and Administrative Specialist Jeanette Clawson

Council President Schultz called the meeting for the Local Board of Appeal and Equalization to order at 7:10 p.m. Council received the 2017 City of Owatonna Assessment Report prepared by the Steele County Assessor's Department. County Assessor Effertz read the report advising there are two reasons that valuations change each year. The most common reason is due to the ever changing market conditions of the real estate market. The second reason for a valuation change is, even in a stable market, if a property value based on analysis of sales, is thought to be under assessed, either in relation to other properties or to a range of acceptable guidelines, the valuation may increase or decrease. Different types of real estate changes at different rates. In the 2017 Assessment, assessed values expanded by 5.92% from 2016 for a total Estimated Market Value of \$1.8 billion. This increase is a result of a combination of market adjustments and new construction.

Residential: When considering the total housing stock in 2017, the typical home in the City of Owatonna is valued at \$137,600 was constructed in 1977 and contains 1,302 square feet. For the fourth consecutive year that single family residential market has shown growth. In 2017, residential market grew 5.13%. This represents the change in residential properties in total. Not all properties changed in the same manner. Each neighborhood and each property type had their own story to tell with regard to market changes.

As part of the economic recovery, the number of foreclosure sales has dropped to more typical market levels that existed prior to the mortgage industry failure. The peak for the foreclosure crisis was 175 in 2010 as compared to 40 in 2016. In contrast, the number of traditional sales has increased from 245 in 2014 to 375 for the 2017 assessment, an increase of 53% more sales to analyze. As the number of sales increases, so does the reliability of the statistical analysis when measuring accuracy and uniformity. The number of foreclosures had been contributing to the (over) supply side of the buyers market. Real estate professionals report that the balance has shifted to more of a sellers market, as the number of listings has been reduced and days on the market have decreased. At the beginning of the assessment process, we analyze the residential market by comparing sale prices to the assessor's estimated market value from the previous year. This indicated a beginning median ratio of 86.8%.

After our analysis and making corresponding market adjustments for the 2017 assessment, our final ratio improved to 91.9%. The statistical uniformity measurement is the coefficient of dispersion which improved to an excellent 6.43. The COD measures the central tendency of all sales around the median. The median sale price was \$152,500.

There were 33 new single family homes constructed in 2016. This very positive economic indicator should continue to rise as the existing housing market continues to improve.

**Residential Vacant Land:** For the 2017 assessment there were 37 vacant lot sales of these 20 were deemed to be “arm’s length” transactions. Of the 20 sales, the median sale price was \$25,900 and our ratio is 105.4%.

**Commercial/Industrial:** There were 7 commercial and industrial sales that were included in the 2017 assessment time study. These sales indicated that the market grew by 3.41%. The all important 2017 final ratio is 96.5%. For analysis purposes, commercial/industrial market is segmented in several ways; by geographic area, by use type, i.e. small retail, big box retail, office, banks, restaurants, gas stations, etc. Industrial properties are also broken down based on the type of use and type of structure, i.e. warehouse, heavy and light manufacturing and distribution warehouse, etc..

**Apartments/Multi-family:** The market has provided a record number of sales over the last two years. This past year we had 6 “arms length” transactions and 9 sales in 2015. The sales data greatly improves the validity of the assessment analysis. In addition, property managers and owners are sent rental and expense surveys which also improves the accuracy and uniformity of the assessment. After modest adjustments, the assessment increased by 1.71% for apartments the final 2017 ratio was 96.04%.

**New Construction:** New construction is indication of economic conditions (growth in the assessment due to added improvements). New Construction remains robust at \$24 million of added value for the 2017 assessment. New construction has a cumulative effect on the tax base, as we saw that tax base expand by \$21.7 million in 2014, \$18.8 million in 2015, and \$12.0 million in 2016. Approximately 54% of this expansion of the tax base is from commercial/industrial properties.

**Conclusion:** The assessor’s office is in the business of gathering, analyzing and processing real estate market data. The collaborative efforts between the City of Owatonna and Steele County greatly enhances our ability to perform our statutory duties. The goal is to provide open and transparent property tax administration. All the assessment data is available to the public at the Steele County website under “Tax Information and Parcel Data”. The GIS interactive mapping provides a web based mapping system that interested parties can search for specific information about properties in Steele County.

One of the main objectives in property tax administration is an equalized assessment (sales ratio’s between 90-105%). It is important that maximum equalization be attained both among local property owners and between taxing districts because the assessment serves as a basis for:

1. Tax levies by overlapping governmental units (i.e. counties, school districts, and special taxing districts).
2. Determination of net bonded indebtedness restricted by statute to a percentage of either the local assessed value or market value.
3. Determination of authorized levies restricted by statutory tax rate limits.
4. Apportionment of state aid to governmental units via the school aid formula and the local government aid formula.

An equitable distribution of the tax burden is achieved only if it is built upon a uniform assessment. The result of a non-uniform assessment is a shift in the tax burden to other property owners.

The County Assessor's Office has received sixteen appeals protesting the proposed property valuations for property within the Owatonna City Limits prior to this meeting.

The Assessor's Office has made the following recommendations:

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Parcel	Owner	Address	Original Value	New Value	Change	Comment
17-160-0301	KUBAT/CHARITA	1152 LILAC	301,400	301,400	0	NO CHANGE - NO RESPONSE
17-163-0111	KIRCHNER/ RAY & CAROL	604 GLENDALE	105,400	105,400	0	NO CHANGE
17-188-0706	FEDERAL HOME LOAN MTG CORP (C/O - CHRIS HUDRLIK	837 MINNESOTA AVE	192,300	192,300	0	NO CHANGE - CANNOT OBTAIN ACCESS INTO PROPERTY AT THIS TIME
17-197-0109	SCHUETIE/MARIE	622 11TH ST SE	143,500	135,000	-8,500	ADJUSTED FOR CONDITION
17-267-0201	GUEVARA/CARLOS	1714 TRUMAN AVE	149,800	135,400	-14,400	ADJUSTED FOR CONDITION
17-375-0227	BEER/ANNE MAURINE	808 GREENHAVEN	544,900	544,900	0	NO CHANGE - FURTHER REVIEW NEEDED
17-412-0102	HAVELKA PROPERTIES, LLC % ONO HAVELKA	670 24TH AVE NW	881,700	881,700	0	NO CHANGE
17-481-0103	BUTLER/BARRY & LORI	1830 MAPLEVIEW PL	609,500	594,900	-14,600	EQUALIZED LAND VALUE/CLERICAL DURING SPLIT/COMBINAAITON ERROR
17-517-0102	MANKE/NICOLE	1145 CLOVER LANE	280,500	269,700	-10,800	MARKET ANALYSIS INDICATED ADJUSTMENT
17-517-0201	SOUKUP/JAMES & KAREN	1090 CLOVER LANE SE	329,900	329,900	0	NO CHANGE
17-519-0401	BOERNER, SHANNON	825 18th ST SE	182,000	182,000	0	NO CHANGE
17-525-0106	BISHMAN, CASEY & KASEY	1925 PHEASANT DR NE	296,500	296,500	0	NO CHANGE
17-532-0601	KUBAT/RAY	905 BROOK LANE NE	260,100	260,100	0	NO CHANGE - NO RESPONSE
17-532-0702	KUBAT/RAY	910 BROOK LANE NE	208,500	208,500	0	NO CHANGE - NO RESPONSE
17-536-0102	HAVELKA/Ono & JOANNE	1900 WOODCREST DR NE	345,700	345,700	0	NO CHANGE - DENIED INSPECTION
17-635-0102	PETIMAN, MARK	LOT ON N ST PAUL ROAD	82,200	82,000	0	REVIEWED SALES - NO CHANGE

Council Member Dotson to accept the list of changes as presented and seconded by Council Member Okerberg. All council members present voting aye, the motion passed.

At 7:12 p.m. a motion was made by Council Member Raney and seconded by Council Member Svenby to adjourn the LBAE Meeting. All council members present voting aye, the motion passed.

Dated April 14, 2017

Respectfully submitted,

Jeanette Clawson, Administrative Specialist