

MEMORANDUM



To: Barbara Johnson, Chair, Ways and Means/Budget Committee

From: J Scott Renne, MAI, City Assessor

Date: December 5, 2003

Subject: City Assessor 2004 Work Plan

Relationship between Work Plan and Business Plan

The Department's vision as developed in its strategic plan is, *"Our vision is to deliver, through the empowerment of every department employee, the highest quality services and resources to the City of Minneapolis"*.

Relating the 2004 Work Plan to the Department's Business Plan recognizes that performing the state mandated annual assessment cycle is the primary function of the department.

That activities of the department to support that cycle include 1) field inspection of all taxable property on a statutory five year cycle; the purpose is to use current and accurate information for the annual revaluation 2) update property records and valuations on all property that had building permits; new construction was \$514 million in 2002, \$284 million in 2003 3) defense of property values; taxpayers have four methods available to appeal their values.

Putting these activities into the context of current internal and external challenges identified in the business plan, the department's objectives over the next three years will be: 1) in an environment of constrained governmental resources, to perform the assessment function in compliance with Statutory requirements and good assessment practices; 2) to achieve a high level of service to Minneapolis taxpayers during the period when a significant portion of the tax burden shifts from commercial/industrial to residential property; and 3) defend the City's tax base during a period of aggressive appeals that accompany declining market conditions for office property.

2004 Work Plan – Initiatives

1. *Annual Assessment Roll:* The primary activity of the office is to prepare the assessment roll as of the January 2nd assessment date. This requires physically inspecting 20% of the city's 115,000 taxable parcels and maintaining physical descriptions of all property including exempt parcels.

Performance Measurement of this Initiative: There are specific deadlines that must be met. The initial assessment roll is due to Hennepin County by March 15th each year; the assessment abstract is due at the Department of Revenue by April 1st each year.

There are measurements of assessment level and uniformity. The Department of Revenue (using the International Association of Assessing Officers standards) promulgate the statistical measures. The level of assessment should be between 90% and 105%, the department's target is 95%. The coefficient of dispersion (COD) is the most commonly used measurement of assessment uniformity. The department's target for COD is 1) to improve from the previous year and 2) for the residential assessment to achieve a COD of < 11%.

Timing: This activity will be achieved in the second quarter of 2004.

2. *Exempt Assessment:* Exempt property is valued every six years. The January 2, 2004 assessment is an exempt assessment year. There are 7,000 exempt parcels and the assessment roll is due in June, 2004. Completing the exempt valuation assessment provides an opportunity to review some of the classifications and request additional information on any properties that may no longer qualify for property tax exemption.

Performance Measurement of this Initiative: 1) Meet the deadline. 2) Have an updated database of property characteristics on this property type. 3) Review the classification on a formal basis of at least 7% of the exempt properties that may be misclassified.

Timing: This activity will be achieved in the second quarter of 2004 for items #1 and #2; item #3 will be ongoing throughout 2004.

3. *Defense of Property Values:* The number of appeals filed in Minnesota Tax Court has increased from 274 parcels in payable 2000 to 818 parcels for payable 2003 or an increase of 195%. With the strong market conditions for neighborhood commercial properties and apartments, many appeals are for properties that historically have not appealed.

Performance Measurement of this Initiative: 1) Meet all deadlines with respect to discovery, appraisal exchange, etc. 2) Work proactively with taxpayers and perform the inspection within 45 days of a tax court appeal and five days for an informal or Board appeal. 3) Secure dismissals on 33% of tax

court filings. 4) Have sustained valuations or adoption of the assessor's recommended valuation at the City and County Boards of Review and Equalization on 67% of appealing properties.

Timing: The filing deadline for Tax Court is April 30th each year with receipt of all the cases +/- June 30th. The City Board is in April and May each year; the County Board is in June. Informal appeals are continual throughout the year with the highest volume in March and April.

4. *Taxpayer Service:* Providing good service to taxpayers is a continual goal of the department. It will become increasingly important as the city's tax burden shifts to residential property. In 1997, residential property paid 33% of the city's tax burden while commercial/industrial property paid 56%. With the phase out of limited market value and class rate changes made by the State Legislature, this amount will be nearly reversed for taxes payable in 2007 (55% of the tax burden paid by residential and 35% by commercial/industrial). It is incumbent upon the department to be proactive in taxpayer education and promotion of State programs such as the *Income Adjusted Homestead Credit* or *Targeting* that they benefit Minneapolis residential taxpayers. The Department is in the process of upgrading its information on the City's web-site to assist in those efforts.

Performance Measurement of this Initiative: 1) Work with Communications to develop a water bill insert informing taxpayers of state property tax programs that may benefit them. 2) Expand the use by the Assessor's department of the City web site to include explanations of property tax changes, assessment and tax statistics, property tax refund programs (including links to the application forms) and other useful information. 3) Continue the Property Tax Information meetings at the neighborhood level.

Timing: This activity will be achieved in the second quarter of 2004 for item #1, first quarter for items #2 and #3.

5. *Use of Technology:* The department has used technology to partially offset staffing losses over the past several years. Projects that are underway include: 1) completion of a project of taking digital photos of all commercial, industrial and apartment properties. We are also taking photos of residential property over a more extended time period. The photos are available to other departments that access our database. 2) Use of GIS locational factors to improve the quality of the assessment. The locational factors for the assessment are developed using new capabilities of GIS that can assist in measuring sales prices as they relate to location.

Performance Measurement of this Initiative: 1) Currently +/- 5,000 photos are in the database. Our objective is to add +/- 10,000 additional in 2004 through on site photos or use of Multiple Listing Service photos.

2) Improvement in the COD for various property types by use of GIS locational modeling techniques.

Timing: This activity will be continual throughout 2004 for item #1, second quarter for item #2.

6. *Service on the Board of Trustee of Minneapolis Police Relief Association.* Participate in continuing efforts to improve investment performance and reduce operational cost of the MPRA.

Performance Measurement of this Initiative: 1) Meet or exceed the returns on benchmarks for the asset classes within the overall fund. 2) Operate within the annual budget as adopted by the Board including a significant reduction in the budget for legal expenses.

Timing: This activity is continual with quarterly measurements for investment performance and compliance with the annual budget. The Legal Committee of the Board meets monthly to review all legal expenses.

2004 Work Plan – Financial Planning

The Assessor's office is funded through the general fund with a budget for 2004 (per Mayor's recommendation) of \$2.77 million. Wages and benefits comprise 87% of the department budget. There are limited revenue opportunities for the department. Currently some fees for services, estimated to be a \$1,000 in 2004 and an allocation of some contractual payment in lieu of tax payments, estimated to be \$130,000 is present. The department rarely uses overtime nor exceeds its budgeted amount.

The department can be viewed as a revenue generating department from successful defense of the existing tax base and having the ability to effectively identify and add new tax base through building permits, non-permitted work and measuring/reflecting improved market conditions. It is equally critical to make appropriate changes for properties that are experiencing deteriorating market conditions, currently office properties in the central business district. It is preferable for these changes to be made at the annual assessment rather than through stipulation or unsuccessful defence of a tax court appeal with the attendant loss of levied dollars.

2004 Work Plan – Work Force Planning

The department will lose a key staff member, Daniel Boris, Real Estate Supervisor, in late 2003. Dan has participated in valuation and litigation in the central business district for the past 18 years. We have been training members of our Loop Team to accomplish an orderly transition but his departure occurs during a very poor market environment. Appraisal of the

central business district involves very complex property and litigation is inevitable. His replacement has been selected and will "shadow" Dan for about six weeks. Further training in conjunction with the transfer of his responsibilities will occur throughout 2004.

We have experienced other turnover. Our department has had success in recruiting qualified individuals at the entry-level positions. Internally, there are several strong candidates for promotional opportunities.