

# ASSESSOR

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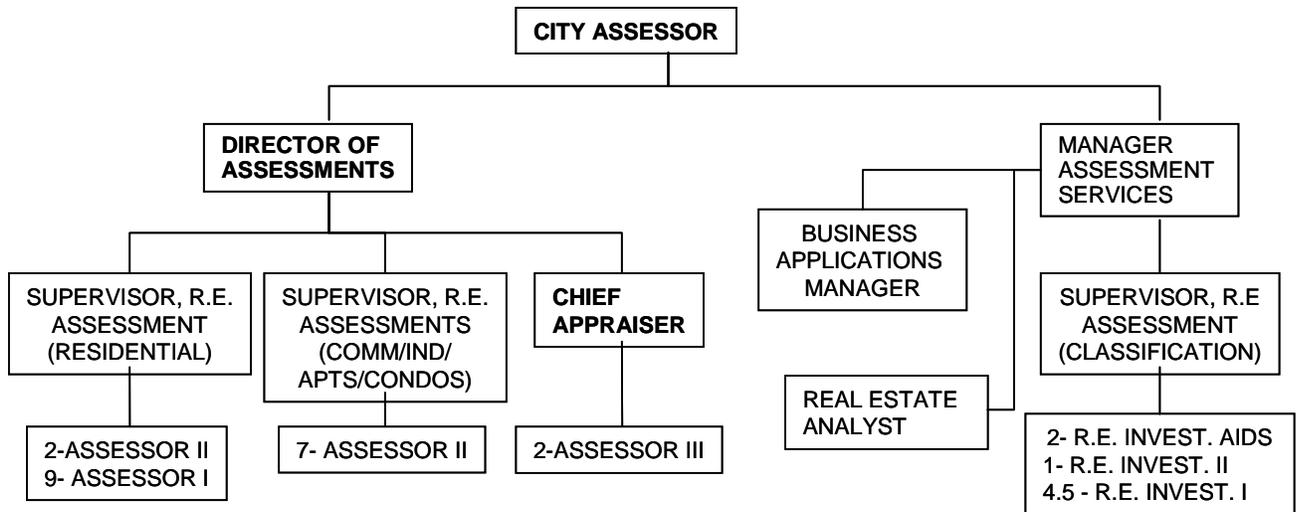
## MISSION

The assessor serves the taxpayers of the City by valuing and classifying real estate property in an accurate, ethical, equitable and defensible manner as prescribed by state law. The department also provides information and analysis to internal and external partners such as Elected Officials, City Departments, Minneapolis School District, Hennepin County Attorneys and Hennepin County Taxpayer Services, Minnesota Department of Revenue, taxpayers, neighborhood groups and the media.

## BUSINESS LINES

- **Maintain data integrity of the City’s tax base:** Collects, verifies, and maintains property records for the City; provides property information to Hennepin County; and disposes of property record and private data according to data privacy laws and City ordinances.
- **Real estate property assessment:** Performs the assessment function for all real estate and appropriate personal property.
- **Provide information and data analysis:** Provides these services for taxpayers and state and local public entities.

## ORGANIZATION CHART



**FIVE –YEAR DEPARTMENTAL GOALS, OBJECTIVES, AND PERFORMANCE MEASURES  
(ALIGNED WITH CITY GOALS AND STRATEGIC DIRECTIONS)**

Department Goal	Objective	Measure
Property taxes provide approximately 17% of the City's revenue. Accuracy in the assessment and a strong defense of market value provides the funding to maintain the City's physical infrastructure, invest in long-term capital improvements, maintain the natural and historic environment and insure a clean and sustainable Minneapolis. <b>The nature of the department's work does not lend itself to a distinctive one-to-one correlation between the City goals and strategic direction.</b>		
Provide value-added services to taxpayers	Improve access to information for customers	<ul style="list-style-type: none"> <li>• Increase web page traffic &amp; form downloads</li> <li>• % of 311 assessor related calls completed by 311 operators</li> </ul>
	Be proactive in taxpayer education	<ul style="list-style-type: none"> <li>• Increase the # of tax related presentations given each year by department</li> </ul>
Improve the efficiency and effectiveness of business processes	Maintain 98.0% of tax levy collection	<ul style="list-style-type: none"> <li>• % of levy collected each year</li> </ul>
	Meet Minneapolis statute for sales ratio	<ul style="list-style-type: none"> <li>• 9 month sales ratio per MN statute both median residential, median commercial values</li> </ul>
	Streamline the process to identify which properties with building permits result in a measurable change in value, condition or classification	<ul style="list-style-type: none"> <li>• # of permits inspected vs. # extracted from KIVA</li> <li>• \$ added to tax base based on building permit data</li> </ul>
	Streamline appraisal process of all property types: residential, condos, apartments, commercial & industrial	<ul style="list-style-type: none"> <li>• # of computer assisted mass appraisal (CAMA) models in use</li> </ul>
	Support other city departments in their use of the assessor's property management system data	<ul style="list-style-type: none"> <li>• # of hours extracting data for city users; Other governmental users; Media, private users* (*fee for service)</li> </ul>
Maintain a competent, positive and fully staffed workforce	Maintain the department's institutional knowledge through training, mentoring and coaching	<ul style="list-style-type: none"> <li>• % of employees with annual employee development plan</li> <li>• % of institutional knowledge / succession management plan implemented</li> </ul>

**MEASURES, DATA AND TARGETS TABLE**

Measure Name	2004 Data	2005 Data	2006 Data	2007 Data	2008 Target	2011 Target
# of tax-related presentations given to community	4	6	11	YTD 7/12	14	15
Percent of levy collection	98.5	98.3	TBD	TBD	98.0%	98.0%
Median residential sales ratio	90.2	94.0	TBD	TBD	>90	>90
Median Commercial sales ratio	91.3	92.3	TBD	TBD	>90	>90
\$ added to tax base based on building permit data	\$356.8 million	\$560.3 million	\$493.6 million	\$716.9 million	\$600 million	\$700 million
# of computer assisted mass appraisal (CAMA) models in use	13	14	15	YTD 15 / 17	19	24

**What key trends and challenges does the department face and how will each be addressed?**

**High volume of court cases:** The department is concentrating on a high number of attorney represented court cases challenging property assessments. This trend is fueled by a growing “industry” of attorneys specializing in the field of property tax appeals. A major court case requiring a narrative appraisal can take several hundred hours to research, write and defend in court. At times the turnover of staff necessitate some duplication of preparation time as tax court cases can easily span 3 - 6 years before they are settled.

Current Tax Court Cases								
Tax year court case was initiated	2001	2002	2003	2004	2005	2006	2007	Totals
# of cases petitioned by year	230	303	425	360	363	347	324	1,221
# of open cases remaining	1	1	3	7	38	174	324	548
# of parcels under petition	1	1	3	14	83	391	890	1,383
Value of outstanding parcels under petition (million)	\$3.9	\$4.4	\$128	\$131	\$355	\$1700	\$2300	\$4600

*Impact on the department:*

- Ironically, as tax court cases decreased by 6.6% from 2006 to 2007, the levy dollars at risk climbed 35%. This trend is significant and could have an overall adverse impact on the City budget and funding if not aggressively and strategically defended.

*Department actions:*

- In order to document best practices and to standardize the methods utilized to create court case, the Chief Appraiser with the support of the real estate analyst trains and coaches the staff which has less than five years of experience in the skills needed to research, write and defend cases in court. About 60% of the staff falls in this category.
- In an effort to become more customer-focused and in order to improve processes, the department mailed out the value notices in 2006 and 2007 which were respectively 3 weeks and 5 weeks earlier than those issued in 2005. Now the property owners have more time to discuss their value concerns with staff before initiating action with the City Board of Equalization, the County Board of Equalization or file in the State Tax Court.

Number of Parcels with:	Formal Reviews Requested	City Board of Equalization and Appeal Cases	County Board of Equalization and Appeal Cases
2006	917	51	24
2007	902	21	14

**Continued readjustment of Minneapolis residential real estate market:**

*Residential real estate market shifted to a buyer’s market:* The City is being considered as a buyer’s market for the last couple of years. This perception is because of the fact that available housing inventory for sale is far greater than the number of willing buyers in the market. The City’s residential real estate market is on the verge of splitting or bifurcating. *i.e.*, prices of residential units in some neighborhoods are on the decline whereas residential units in other neighborhoods continue to increase in value. Under such a scenario where real estate values

are moving in opposite directions, valuation of property requires much more analysis of sales and market trends than what is being ordinarily done.

*Foreclosures* : During the first quarter of 2007, as much as 678 housing units went to public auction because of foreclosures. This is an increase of 43% from the fourth quarter of 2006. During the first quarter of 2007, the City had realized more than twice the foreclosures than the corresponding period in 2006. Foreclosed properties place an additional demand on the department staff to promptly act because any delay may cause their prices to do down abruptly as condition of these properties can deteriorate very rapidly in a short period of time.

*Limited market value phase-out*: The limited market value (LMV) program was designed to protect property owners from abnormally high increases in property taxes from year to year as a result of rapid valuation increases due to a particularly healthy real estate market. The LMV program went into effect in 1993 and is scheduled to sunset with the 2009 assessment payable in 2010. About 77% of the City's parcels are at full taxable value or within 5% of their full value under the LMV program. The department receives calls from many of the remaining 32% with questions about why their property taxes continue to increase even though their property value remained the same or went down.

*Impact on the department:*

- Based on a number of challenges identified above, the department anticipates allocating additional time and resources toward property review requests and tax court petitions in 2008 and 2009.
- Staff is devoting more time to the verification and analysis of sales data; inspecting sales, foreclosures, boarded and condemned property.
- An unintended consequence resulting from a declining market is the increased number of calls from property owners to the property owners that their home value has been decreased. Many of these owners depend on the higher home value for home equity lines of credit are "upside-down" on their property. These owners want to have the assessment of their property reviewed with the hopes of some upward improvement in the value assessed.
- As the foreclosure and the boarded building trend continues, neighboring property owners are likely to go in appeal against the assessments of their property value due to the adverse influence of the distressed neighboring property next door.
- Residential property is the largest class of properties in the City with as many as 111,907 residential parcels. If even 2% of the residents request an appraisal review, it could add a total of 2,238 hours to the department which would require an additional one position to cope with the increase in review requests and Board of Equalization and Appeal cases.

*Department actions:*

- The sheer volume of work expected of each staff continues to be outside the reasonable range. The department has made process improvements and has paid staff overtime and has also hired interns to offset the increased workload. While these efforts have enabled the department to meet workload demands, overtime payments and hiring of interns are not a viable long-term solution.
- The department is pursuing CLIC funding to obtain WiFi handheld mobile data collection tablets for staff use in the field. The department's staff typically performs 20,000 to 25,000 field inspections in a year. Each appraiser carries a paper property record card for each property inspected. Appraisers write notes and comments on these paper records, and then return back to the office where they keypunch the notes and comments into Govern --

- the department's property management database. Handheld mobile data collection tools will reduce redundancy in data collection and documentation, reduce data entry errors, provide immediate data updates via WiFi, and this effort supports both the EIM and sustainability initiatives.

**Trend changes in condominium units:** In 2008, there are an estimated 916 new condominiums in 23 projects under construction. In the past three years 5,824 new condominium parcels were added to the City's tax base.

As condominiums (and other new constructions) are being developed, updating of the assessed value throughout the process and upon completion is not only statutory requirement, but also responsibility of the assessor to do on the behalf of the City's taxpayers.

Year Added to Tax Base	New Condo Units	Cumulative Number of Condo Units Added to Tax Base
1999	191	191
2000	143	334
2001	159	493
2002	499	992
2003	383	1,375
2004	1,439	2,814
2005	2,559	5,373
2006	1,826	7,199
2007	916	5,824

*Impact on the department:* Every new condominium needs to be individually appraised, often more than once during the construction process. Each of the new condominium appraisals takes an average of 1 hour to complete. During 2005 and 2006, an additional 4385 hours of work due to new condominiums or 2.1 position equivalents worth of work was absorbed by the current staff. The sheer volume of work expected of each staff continues to be outside the reasonable range. This does not include the on-going work required once the parcel is added to the tax base.

*Department actions:* The assessor needs to hire a minimum of two position appraisers. The department has paid staff overtime and hired interns to offset the increased workload. While these efforts have enabled the department to meet workload demands, overtime payments and hiring of interns are not viable long-term solutions.

**Information and data analysis:** With the increase in property taxes, taxpayer's request for market data, property value reviews, and petitions have also increased.

- There is an increasing demand for property information, analysis and decision support from the City Council, other City departments, businesses, community groups, Legislators, Met Council and the media.
- The property information collected and maintained by the assessor has become a critical data source for the City departments.
- Additionally, policy makers, businesses, community groups, and the media have all come to rely on the assessor to provide data for neighborhood analysis, real estate trending, forecasting, and allocation of community development resource and program success.

*Impact on the department:*

- The increasing number of requests for real estate data and information from internal and external customers is requiring large blocks of time and resources to produce. While the assessor is amenable to providing the information and analysis, the frequency and complexity of the requests is straining the department's resources.
- The number of requests has tripled in the past four years since Govern was brought online. The department currently can only commit time to the extent of 0.5 position

equivalents to provide information and analysis, but certainly the department can entertain more requests if it has more staff.

*Department actions:*

- The department developed a comprehensive data “matrix” file that stores current and historical property data for research and analysis by internal City users. The file is located on the city-wide network and provides easy access to the most frequently asked questions and data. This has helped the department in meeting expectations of accurate and timely answers to customer information requests.
- Although other City departments have access to the Govern database, these departments rely on the department’s information and analysis. The department will explore training people of other departments so that they could have their own data gathering and analysis.
- The department currently relies on one employee to perform data mining and high-level data analysis. This individual will be eligible for retirement in the near future. The department needs to bring on an additional position so that new person should have enough time to fully develop skills and gather pertaining to the job.

**New Twins baseball stadium and new University of Minnesota football stadium :** The new Twin’s stadium is a tremendous opportunity for the City. In addition to the \$535 million dollar ballpark, the stadium will be a catalyst for \$300 to \$400 million in new infrastructure, new commercial, retail and housing construction, and redevelopment of existing buildings in the north loop and the warehouse district.

The new Twin’s stadium development is the largest redevelopment effort since 1990 when the Target Center was built. Like the new Twins stadium, the new \$248 million dollar University of Minnesota football stadium requires extensive redesign and redevelopment of the Oak Street and University Avenue commercial area. Similarly, the new football stadium will be a catalyst for new infrastructure, new real estate development and redevelopment.

*Impacts on the department:* The impact on the assessor will be substantial for the following reasons:

- There have been numerous information requests from many sources in reference to the negotiations surrounding the purchase price of the property for the Twins stadium.
- Increased permit work due to demolition, new construction and remodeling associate with the project.
- Increased workload to combine and divide of parcels throughout assemblage and creation of new ballpark site and adjacent parcels.
- Increased workload in appraising/valuing, commercial, retail, housing, and redeveloped buildings in the proximity of the new stadium.

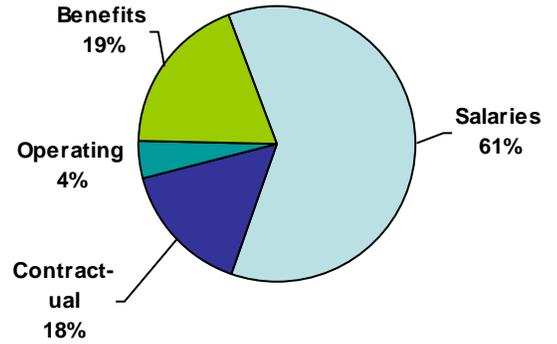
*Department actions:* The Department will continue to track the progress of the stadium development and will make departmental adjustments as needed. To properly manage the increased workload associate with the two major public stadiums simultaneously, it may be necessary to seek additional City funds to hire temporary employees to assist in the data collection, data entry and analysis during the construction phase of these projects. The department will track progress of the initiative and will make departmental adjustments or requests as needed.

**FINANCIAL ANALYSIS**

**EXPENDITURE**

With the 2008 adopted budget of \$3.8 million for the assessor, it posts an increase of 5.4% over the 2007 adopted budget. There are 36.5 positions in the department. The department’s contractual expenses are about 18% of its budget. The single largest contractual expense in the department’s budget is BIS Services.

**Expenditure by Type  
\$3.8 million**



**REVENUE**

Revenue in 2008 is projected to be \$66,000. Most of these revenues come from payment in lieu of taxes (PILOT) paid by nonprofit nursing homes through agreements in the community planning and economic development (CPED) department’s work.

**FUND ALLOCATION**

The assessor’s entire budget comes from the general fund.

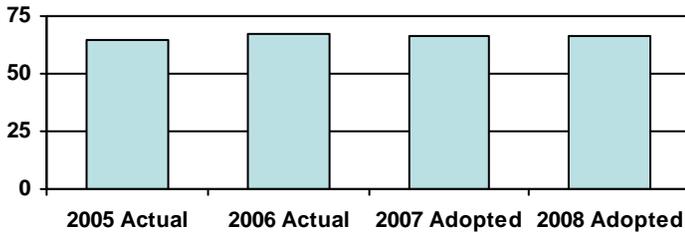
**MAYOR’S RECOMMENDED BUDGET**

The Mayor recommends \$75,000 to fund the department’s reclassification study from early 2007.

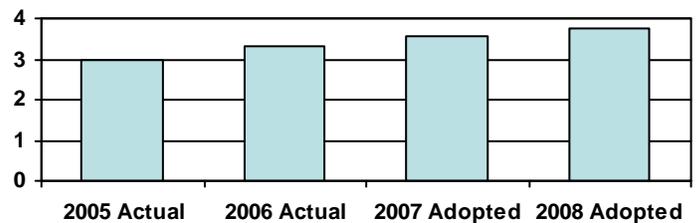
**COUNCIL ADOPTED BUDGET**

The Council adopted the Mayor’s Recommended Budget.

**Revenues 2005-2008  
(in thousands)**



**Expenditure 2005-2008  
(in millions)**

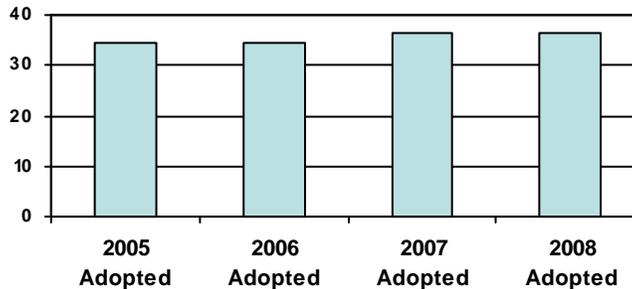


## ASSESSOR

### Staffing Information

	2005 Adopted Budget	2006 Adopted Budget	2007 Adopted Budget	2008 Adopted Budget	Percent Change	Change
<b>Total FTE's</b>	34.50	34.50	36.50	36.50	0.00%	-

### Staffing Summary 2005-2008



## ASSESSOR

### EXPENDITURE AND REVENUE INFORMATION

	2005 Actual	2006 Actual	2007 Adopted	2008 Adopted	Percent Change	Change
Salaries and Wages	1,674,773	1,876,344	2,053,533	2,289,600	11.50%	236,067
Contractual Services	617,095	687,201	632,128	586,674	-7.19%	(45,454)
Operating Costs	184,911	182,905	188,398	169,116	-10.23%	(19,282)
Fringe Benefits	488,766	569,830	698,681	718,917	2.90%	20,236
Equipment	0	0	1,105	1,128	2.08%	23
Capital Outlay	1,800	0	553	565	2.17%	12
<b>Total Expenditure</b>	2,967,344	3,316,279	3,574,398	3,766,000	5.36%	191,602
Property Taxes	64,137	67,080	65,000	65,000	0.00%	0
Charges for Service	0	0	1,000	1,000	0.00%	0
Charges for Sales	810	296	0	0	0.00%	0
Interest	103	18	0	0	0.00%	0
<b>Total Revenue</b>	65,050	67,394	66,000	66,000	0.00%	0